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OCTOBER 14, 1933

## There Is Safety and Profit in Common Stocks

By A. T. MILLER

## Practical Lessons from European Inflations

By MAX WINKLER

## Can Banks Meet the Challenge of Present Emergency?

By THEODORE M. KNAPPEN

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# WITH THE EDITORS

# Watch Third Quarter Earnings

WE are about to enter that period of the year when third quarter reports will come thick and fast. There ought to be more of them than ever this year, because of the effort of the exchanges to have more detailed and more frequent information put at the disposal of stockholders. And not only will there be more reports this year, but they will be more important than usual. They will be important in the first place for showing how well various companies managed to convert the increased business activity of these three months into profits. Also, there will be indications here and there of the extent of the tapering off which is known to have taken place during the latter part of August and in September. But the most important aspect of all is the influence which these third quarter reports may be expected to have upon security prices.

For some time now the stock market has shown a marked disposition to take notice once again of actual conditions within an industry and of the actual earning power of the companies comprising that industry. No longer does the market, as it once did, blow hot and cold as a whole according to the public appraisal of whether we are going to have inflation next week or whether it is not expected to arrive until the week after next. The inflation prospect, of course, exerts a valid influence upon stock prices, but its influence is in inverse ratio to the speed of the inflation. We know now that the currency is not going to become worthless overnight and therefore that we have at least until tomorrow morning to decide upon the best purchase—and in making the final selection earning power is being stressed. It is because the market is becoming more and more sensitive to current earnings and those in immediate prospect that the third quarter earnings are going to be of such critical value to those owning common stocks or anticipating their purchase.

Yet, because the third quarter earnings' reports are to be scanned so eagerly and in a frame of mind undoubtedly which will tend to be as hopeful as possible, there is danger of being misled in certain cases. Reports showing sensational betterment should be analyzed with particular care. Find out, in other words, the factors responsible for the remarkable showing. Was it increased sales, increased margin of profit, or because of some new development? If the exceptional earning power can be attributed to one of these factors, or a combination of them all, an attempt, should be made to discover how long such a favorable influence may be expected to last. On the other hand, it is just possible that the greater part of the improvement in earnings can be laid at the door of some such non-recurring item as an inventory profit, a profit on the sale of some asset, or a profit from the sale, or write-up of securities. If so, it will be wiser to neglect such extraordinary or non-recurring profits and form one's appraisal of the worth of the security without them. Only in this way will the greatest benefit from the coming third quarter reports be obtained.

## In The Next Issue

### Can We Afford to Stabilize Now?

Everyone concedes the necessity for stabilizing the dollar and returning to the gold standard. But is this the time?

How would it affect

Commodity Prices?
Securities?
Business?

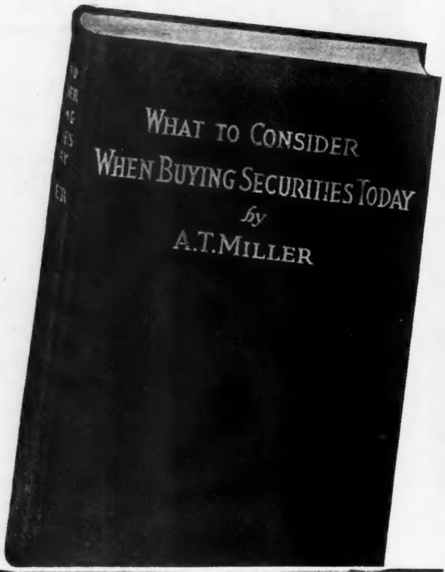
### What's Wrong with the Dairy Stocks?

By J. C. Clifford

Low Price Speculations — Stocks for Income and Safety

Special Selections by The Magazine of Wall Street Staff

# Profit Now by Removing the Guesswork from Your Investments

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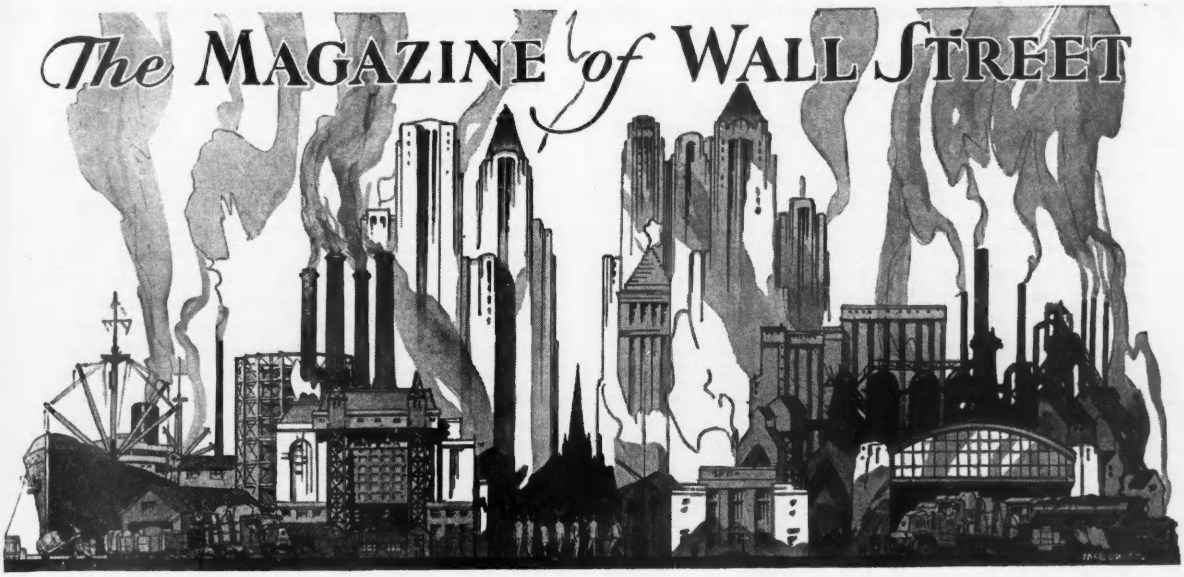


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# The Trend of Events

*— Inflationary Sentiment Lags*
*— Proper Budgeting*
*— An Innocent Shell Game*
*— A New Deal in Debts*
*— Heavy Industries Boosted*
*— The Market Prospect*

*INFLATIONARY SENTIMENT LAGS*

PRESIDENT GREEN of the American Federation of Labor deserves well of labor and of the country for his unequivocal declaration of opposition to currency inflation. Taken together with the recent stand of the American Legion and with Secretary Wallace's modification of his earlier enthusiasm for such inflation, Senator Thomas' insistance that he is not at this time an advocate of the issuance of treasury notes over other forms of "reflation", and the President's cotton-loan mollification of the Southern farmers, it is a gratifying evidence that the country is turning away from the most destructive variety of inflationary governmental action.

If we are not mistaken public opinion now places more emphasis on certainty of monetary policy than that it should be adventurously inflationary. The President now has control of the ball again. Let us hope he maintains it when Congress meets in January. The country as a whole has come to accept devaluation of the gold dollar as inevitable. If this can be accomplished when the time is ripe, we are confident that it will make for a gradual rise in domestic price levels, would relieve investment capital of paralyzing fear, and reinforce public confidence. The effect upon the securities market would be salutary. Unless the President should elect to cut the dollar in two—which is not likely—there would be no dangerous boom and the market would be left free to relate prices to business realities, which are certain to become more and more inspiring over a period of time.

*PROPER BUDGETING*

THERE is some tendency to consider the distinction the Government is making between ordinary and extraordinary expenditures as a mere budgetary camouflage. To us it seems to be not only the expedient but the proper distinction. It is no more possible to meet the demands of the emergency on a current balance between income and outgo than it was possible so to conduct the World War. The ordinary business of the Government is now practically on a cash monthly settlement basis. The deficits are

due to expenditures which will eventually appear in the public debt if they have not already been recorded therein. The major part of that debt has been calculated in advance and provision has been duly made in advance for amortization and carrying charges. Taxes have been levied for those specific purposes—and they are actually being collected. To say that the budget is still unbalanced is equivalent to saying that the Government should contract no debts for any purpose. Which is absurd. We are paying our way as we go and are providing the funds to meet inescapable extraordinary expenditures reflected in the issuance of government obligations. This is sound finance, and bookkeeping which distinguishes between the two sorts of expenditure is equally sound. If we were to go on indefinitely paying ordinary costs of government out of borrowings we would be headed for disaster. So, also, would be the case if the public debt were to be run up to as unmanageable size. There may be danger of that in times like these but it is certainly not invited by an accounting system which will reflect it the moment it appears and that also tells us where we stand in respect of governmental living expenses. The latter have been heroically cut to the bone. We are skimping there that we may borrow. And borrow we must or abandon the organized battle for social relief and business recovery.

### *AN INNOCENT SHELL GAME*

THIS bank deposit insurance law is working out curiously. It was foreseen, of course, that it implied that sound banks would have to pay for the weakness of weak banks. It was not foreseen that the strong banks would be called upon to strengthen the weak banks. The Federal Reserve deposit insurance corporation can not deliberately take a poor risk. Hence the uninsured state banks and trust companies, which are not compelled to insure, must affirmatively exercise their option or leave the inference that they are undesirable risks. The latter course would be equivalent to suicide, either by voluntary liquidation or by throwing themselves in the path of runs. It appears that there are many unacceptable risks. Such banks must have their capital structures strengthened. The R.F.C. stands ready to do the job, but the whole world will know it. So, comes the R.F.C. with the proposal that the strong banks generally borrow from the R.F.C. on the pretence, if not the fact, that they are putting themselves into a better lending position. Thus it will be hard for the public to pick out any one bank as having been in an uninsurable condition. This is a sort of bland shell game on the public but entirely justifiable. The indications are that the New York Clearing House banks will start the game by issuing to the public or to the R.F.C. preferred shares or capital notes for funds which they do not need.

This philanthropic enterprise, however, cloaks a flank attack on the universal tightness of the banks. With a few hundred millions of idle cash on their hands which is costing them a pretty penny, the banks may be moved to revise their definition of a sound loan. With money forced on them, the banks may find it expedient to put it to work.

### *A NEW DEAL IN DEBTS*

WHEN the United States suspended the gold standard it marked a new epoch in economic history. That action insured that the world's debts will be greatly lightened. With the possible exception of a few countries which have already gone through the currency devaluation process the world will, it is now certain eventually stabilize its various currencies on lower gold-content standards. That means that debtors will be able to discharge their old debts with less labor or less of their products. They will pay the number of dollars or other monetary units according to the letter of the contract but those units will be cheaper and easier to obtain. In all cases it will mean that creditors will suffer curtailment of present purchasing power derived from debts, but if those debts were contracted at price levels corresponding to those which will eventuate they will be repaid in purchasing power in the same measure in which they lent. In one way or another the world has successively lightened the burden of debtors, and given them a new start. Such a readjustment is now in process.

### *HEAVY INDUSTRIES BOOSTED*

THE Government's endeavor to stimulate the heavy industries, beginning with loans to railroads for equipment purchases is off to a fair start. There can be little doubt that the railway companies will soon place orders for about 850,000 tons of rails. The differing views between Co-Ordinator Eastman and the steel companies as to prices will be adjusted. The public stake in the consequences of such an order are too great. It should not be hard to find a middle ground between Mr. Eastman's sound contention that steel prices have been out of line with general price recessions in recent years and the contention of the steel producers that increased costs of production compelled by the N R A code make anything like $35 a ton impossible. The filling of an order of such magnitude would increase employment both directly and indirectly and would contribute decidedly to the forward march of business in general. The effects on the securities markets would be constructive, and general confidence in recovery would be strengthened. The railways need the steel, the producers need the business and progress towards recovery needs the consequences of their co-operative action.

### *THE MARKET PROSPECT*

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 612. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. Monday, October 9, 1933.

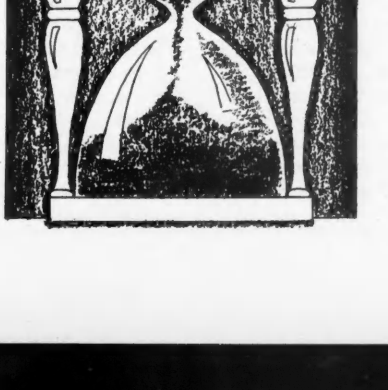
# *As I See It* ~ By Charles Benedict

## *The Element of Time*

IT would seem, by the disappointment and uncertainty occasioned by the failure of the first efforts of the recovery program to maintain all of its gain, that the importance of the element of time has been forgotten. After all, the age of miracles has passed and while we have lost perhaps 8—10 per cent of the broad advance in business as a whole, which was recorded between March 4th and Labor Day, it would have been fatuous to hope to maintain indefinitely a vertical trend in recovery.

In March the general level of all commodities was 10 per cent below that of 1913-14. Between March and September of this year prices climbed back to this pre-war point—a sensational advance if it be measured in terms of all the dislocations and disturbances which have ensued as a result of the inevitable disparities among various price groups. Could we expect to bound upward another 30 points to the 1926 level at the same rate? Hardly, if we remember that it took from 1915 to 1917,* under the influence of a great war and colossal destruction of material, to raise prices from a level above that of the present to a level equal to that of the now glorified 1926 level. Or if we recall that the great advance in price between 1917 and 1919 sprang from a setting in which a large part of the world was bereft of essential materials and productive facilities—quite the opposite condition to that which prevails today. It must be plain that price movements of magnitude cannot be effected overnight on the upside—or even on the downside. The painful and seemingly rapid descent from the level prevailing through 1929 took 3½ years. Therefore, an upward climb with its attendant adjustments might be even slower without occasioning surprise nor justifying harsh criticism of the reconstructive efforts of the present Administration, regardless of mistakes.

At least the present Administration is pressing forward with an active attack on all fronts and there is no reason to expect that its resourcefulness for further action is exhausted. On the contrary, new and practical measures will be introduced as the various recovery phases of the recovery program require them. It is necessary to take one step at a time and to pause long enough after each to allow its full development and observe its effect before taking further action. The N R A movement is disappointing to those who expected too much from it in too short a time. It has brought about the re-employment of two and a half million or only about a fifth of the total idle, and even some of this gain may be lost before all the necessary adjustments, which are now in process of being made, are completed. Nevertheless, the N R A has done an effective job in a few months and will accomplish more as time goes on. The principle of spreading the available work, and multiplying thereby the number of buying units, is firmly established. True, the movement has given labor new power which it may abuse in the early stages of the venture, yet it has effected a new recognition of responsibilities of both the state and the employer toward the worker which has long been extant in Europe and whose manifestation here was inevitable.



In the development of the Government's financial policy, time is also necessary. For example, at the moment the Administration appears to be working at cross purposes in its endeavor to stimulate business by releasing bank credit. On the one hand it is urging a more liberal loan policy on the banks, while on the other, it is fostering conservatism by the requirements of its forthcoming deposit guarantee. At the moment the banks are in a dilemma. But adjustment will ultimately be made.

Meanwhile, the Government is stepping into the breach with its own multifarious loan schemes, and contemplating a more vigorous program of open market bond purchasing through the Federal Reserve. There is encouragement in the fact that realization is apparently clear that credit must be made plentiful and readily available—and that money must find its way into individual pockets.

In response to demands for quick action in this latter regard, a practical plan is proposed to reopen 375 defunct banks. The millions released from these frozen institutions will exert a potent influence. The return of depositors funds will be like new money and will pass rapidly into circulation. Debts will be paid and part of the dead weight of indebtedness pressing on individuals and corporations alike will be lifted. The discharge of debts will result in renewed extension of credit buying power. Trade will be stimulated and the country at large will have received as much impulse as an issue of "greenbacks" would produce, and without the same forbidding aftermath. If the operation of reopening the closed banks is extended, some 2.5 billions of frozen deposits may be ultimately released. If in addition bank credit can be forced up by four or five billions more, which is not inconceivable, we shall advance another stage.

Such operations may be held inflationary; but few contend that all semblance of inflation can be avoided in the present situation. Perhaps if we take these relatively mild inflationary steps and give them time to exert their influence, then more radical measures may be avoided. Greenback issues would admittedly be quick in effect—but disastrous in consequence. More moderate and conservative measures will be slower but safer. The element of time is of first importance.

* See Commodity Prices Graph page 640.

# Safety and Profit in Selected Common Stocks

## Early Prospects Call for Discrimination in Commitments — Long Term Outlook Favorable

By A. T. Miller

RECENT weeks of quiet and irregular reaction in the stock market have been interrupted by the sharpest general rally experienced since early September, at which time inflation psychology was running high. The initial rebound at this writing has been followed almost immediately by hesitation and dullness, providing no clear answer to the question whether a significant turning point has been seen.

> ***"In practical stock market interpretation we do not see how the Federal recovery program can be other than of long-term bullish significance, whether the price rise rests upon planned economic adjustments, credit expansion or, as a result of steadily mounting governmental debt, upon an ultimate degree of dollar devaluation utterly without present basis for estimate."***

Under present circumstances, speculative and investment judgment is necessarily influenced to an overwhelming degree by the course of events at Washington. Never before have stock market ears been kept so closely attuned to the words of a President. It can not be otherwise as long as the monetary policy of our Government remains a closely-guarded secret. It is the uncertainty of future money values that makes for confusion in speculative efforts to appraise all values. For weeks this confusion has expressed itself in erratic market performance.

In a market which is so largely dominated by the news—or the lack of news—it is to be doubted that normal significance can be placed upon technical indications. As far as these go in reflecting the balance of market supply and demand at the present time, the evidence may be regarded as favorable. Extension of the September reaction into October was marked by a progressive relaxation in selling pressure and in trading activity, the movement culminating with the volume of transactions falling under 1,000,000 shares a day. The abrupt character of the turnabout, which regained the losses of eight days in a single session, can probably be interpreted as reflecting both a mild scramble of short sellers out of over-extended positions and the revived hope of traders in the imminence of immediately stimulating announcements from Washington. At this writing the latter hope has failed of satisfaction, leaving the financial community scarcely less confused upon rally than upon reaction.

Even though technical indications provide no very certain guidance for the immediate future, however, the recent record of market action does offer some hints of probable significance. This article has previously pointed out the unfavorable action of utility stocks and the negative behavior of the railroad group and has recommended that both speculative and investment commitments in these two groups be deferred. Utility stocks by mid-September had decisively broken through the lowest level of the July reaction. At their most recent low point their average level, figured in terms of gold values, was below the panic level of 1932.

A fortnight ago negative action in the rails likewise culminated in a decline well under the lowest quotations of July. Both rails and utilities in recent trading have indicated greater stability and each group has participated in moderate rally. We are inclined to believe that the current performance is not sufficient to cancel negative or declining tendencies shown by both groups throughout September, even though further rally may be possible.

The sounder industrial stocks, on the other hand, persistently reflect a reluctance of holders to sell while the future of the dollar remains uncertain. Moreover, moderate reaction has been sufficient to reveal an underlying backlog of demand. For more than two months this group has held within a relatively narrow trading range. In the most recent period of reaction it has given a reasonably decisive answer to the question of whether it would follow rails and utilities in a decline of more than technical significance, and that answer is in the negative. Stocks of the type recommended for purchase by this publication remain well above the lows of July. Given no overwhelming obstacle in governmental or business developments, the industrial group should logically fare best in any extension of rallying efforts.

In the market's action since July, in the recession of industrial activity and in the failure of retail trade to come up to autumn expectations it would be easy to feel disappointment. In recent weeks there has been a note of impatience on the part of the more radical inflationists, including farm groups. There have been open threats that if President Roosevelt did not immediately use his inflationary powers to the limit to bring about a fast advance in commodity prices such action would be forced upon

him by mandatory action of Congress next January.

We doubt that this short-sighted agitation can make much headway against the common sense of the American public. To demand recovery in six months from a three-year depression would be absurd. Those who view with alarm our descent from July forget how far we remain above March.

The first phase of economic recovery was marked by a huge volume of forward buying, by an abnormal spurt in industrial production and by frenzied advance in speculative markets. Reaction from that period has now brought us to the second phase of recovery. It will be slow, at times drab, but much sounder than the first phase. The Administration itself in the last month has patiently explained to the American public the basic economic problems confronting us and the far-reaching economic adjustments that must be made. It has replied to the agitation of the rampant inflationists by pointing out that ill-considered currency inflation probably would increase, rather than diminish, our economic dislocations. We have come part of the way out of depression. The President himself warns that "the longer, harder part still lies ahead."

William Green, president of the American Federation of Labor, has publicly announced organized labor's opposition to currency inflation. The American Legion in convention assembled states by resolution that "we favor a careful study by our Government of the dangers of inflation and that we favor a sound American dollar." The political power of the Federation of Labor and of the American Legion is enormous. Their announced views upon inflation represent the first important offset to the agitation of the southern and western farmers. Furthermore, Senator Robinson, Democratic leader of the Senate, has announced himself against currency inflation and is now joining with the conservative Senator Glass, of Virginia, in the formation of a "sound money" bloc in the Senate. The group will have Republican support and hence will be non-partisan. There is reason to believe that it will be of inestimable aid to the Administration in holding an impatient Congress in line, not only on monetary matters but on other major issues.

We cite the above developments because they are of unquestionable significance to business and to the security markets. They do not by any means suggest that uncertainty as to monetary policy has ended or will end in the immediate future. They do mean that uncertainty now centers more upon the question of ultimate revaluation and stabilization of the dollar than upon the issue of currency inflation. They mean also that the struggle for recovery will continue to rest upon such relatively orthodox measures as active Federal aid in the re-opening of closed banks and in the expansion of credit, and upon the basic economic adjustments being sought under the National Recovery Act, the Agricultural Adjustment Act, the Home Loan Act and the Farm Credit Administration

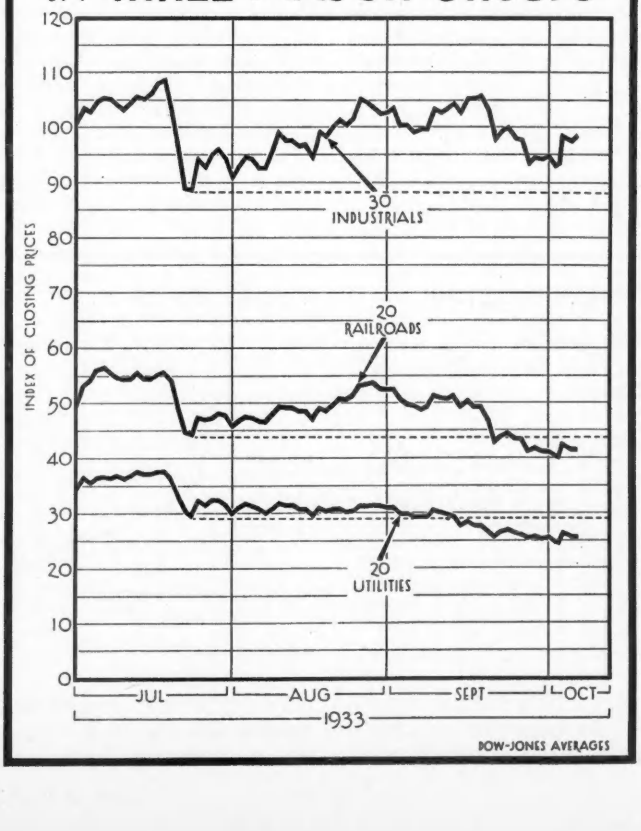
In this program we see no justification for indiscriminate purchase of speculative securities, without regard for corporate financial strength, trade position and earning power. We *do* see in it justification for retention of sound industrial equities and for additional accumulation of such issues in all periods of intermediate reaction. It makes no difference whether one chooses to regard the Government's broad program as inflationary or reflationary. The one plainly announced purpose is to raise the average of commodity prices and to iron out the most glaring of the existing price disparities. In practical stock market interpretation we do not see how this program can be other than of long-term bullish significance, whether the price rise rest upon planned economic adjustments, credit expansion or, as a result of steadily mounting governmental debt, upon an ultimate degree of dollar devaluation utterly without present basis for estimate.

As a matter of fact the Washington program—remembering that the basic purpose is a rise in commodity prices—will be judged falsely if one looks chiefly to industrial recession and to speculative reaction since July. The most reliable index of commodity prices is that of the Bureau of Labor, based on 784 commodities. This index did not reach its high in July. The sharp gain from March through July was not only maintained but was gradually extended during August and most of September, the highest point of recovery being reached in the week of September 23.

For the latest week there has been a small decline. Unfortunately, the disparity between agricultural prices and prices of the goods which the farmer needs to buy is still very wide and is, therefore, a cause for discontent. Moreover, the full force of the probable rise in retail prices, made necessary by higher costs of raw materials and by N R A wage and hour codes, has not yet been felt. It is conceivable that this inevitable development will in coming months be an obstacle to further immediate economic recovery, forcing us to consolidate the position upon the present economic plateau before moving up to a higher one. In our opinion, the correction of farm price disparities depends upon reduction of crop surpluses under the guidance of the Agricultural Adjustment Administration. Radical in-

**(*Please turn to page* 659)**

## THE MARKET IN THREE MAJOR GROUPS



*Demand for liquidity on the one hand; for relaxation of loan policy on the other and Uncle Sam rising as gigantic national banker in the background.*

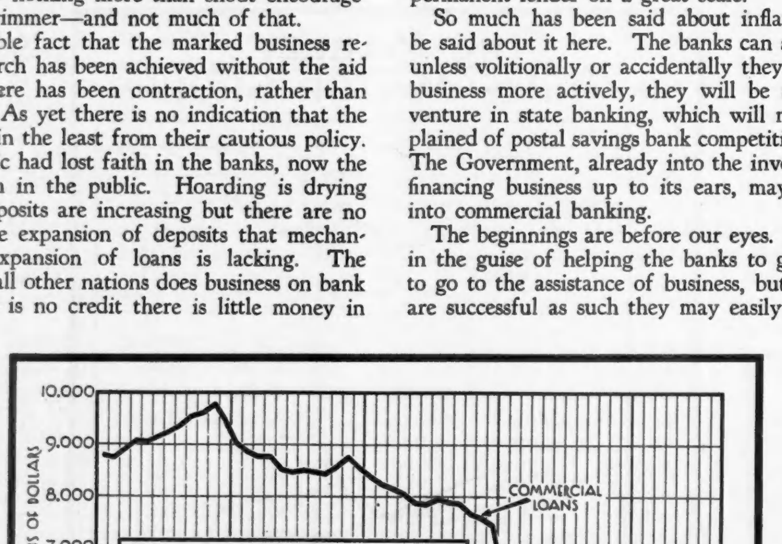
# Can the Banks Meet the Challenge of the Present Emergency?

By Theodore M. Knappen

"THE banks," said a high officer of the Federal Government, "will not wade out into the stream to save a drowning business, but if it gets ashore they will be glad to hand it a towel."

American business is today struggling to get its toes on the bottom, and it painfully makes some progress toward shallower water. But whatever their justification or excuse, the banks do nothing more than shout encouragement to the tired swimmer—and not much of that.

It is an indisputable fact that the marked business recovery since last March has been achieved without the aid of bank credit. There has been contraction, rather than expansion of loans. As yet there is no indication that the banks are departing in the least from their cautious policy. Last winter the public had lost faith in the banks, now the banks have lost faith in the public. Hoarding is drying up, original bank deposits are increasing but there are no offsetting loans. The expansion of deposits that mechanically follows the expansion of loans is lacking. The United States above all other nations does business on bank credit. When there is no credit there is little money in circulation. The financiers and economists who advise the authorities at Washington know this well. They have no patience with the inflationists who think that debasing the dollar or making it so plentiful as to be dirt cheap will permanently remedy the torpid monetary circulation of the nation. But they know that unless stimulation comes through bank credit it will inevitably come through some sort of a shot in the arm. Conceding that the banks are helpless and that even though they are 70 per cent liquid they cannot make loans because no sound ones are offered they are at least the passive instrumentalities of two impending developments that will do them no good:




One—Inflation, which may become reckless and ruinous.

Two—The emergence of the Federal Government as a permanent lender on a great scale.

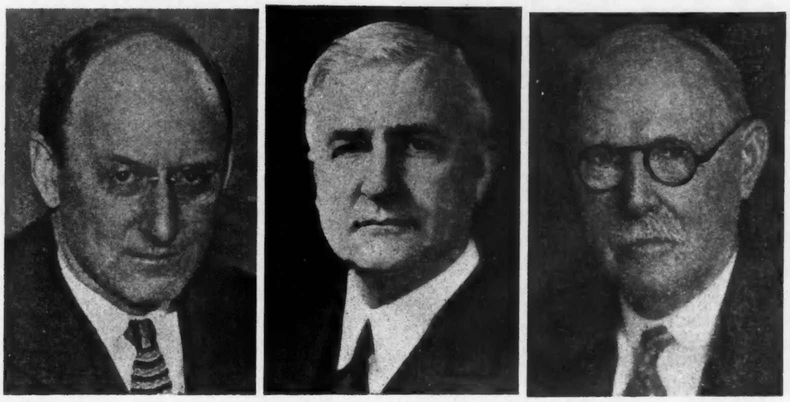
So much has been said about inflation that little need be said about it here. The banks can survive inflation, but unless volitionally or accidentally they soon begin to serve business more actively, they will be accessory to a great venture in state banking, which will make the much complained of postal savings bank competition a picayune affair. The Government, already into the investment banking and financing business up to its ears, may yet plunge deeply into commercial banking.

The beginnings are before our eyes. They are, it is true, in the guise of helping the banks to get their courage up to go to the assistance of business, but unless these efforts are successful as such they may easily grow into competition for the commercial banks.

This threat of ultimate competition is to be plainly seen in two of the recent innovations of the Reconstruction Finance Corporation. To relieve the banks of the fear of their depositors the R.F.C. has offered them 3-per-cent money, which they can in turn lend at 5 per cent. If that offer does not tempt them they have the alternative of encouraging the

formation of loan companies, financed mostly by R.F.C. cash which can assume the worthy loans that are not "sound" enough for the banks, whether lending depositors' or government money. More than that to relieve the banks of their fear of themselves the R.F.C. stands ready to replenish their capital—tapped in the years of stress—through subscriptions to their preferred stock or purchase of their capital notes. Here we have the Government stepping into the commercial loan field both as indirect lender and as bank stockholder.

Now reflect on this, that the money the Government is offering, if not actually putting into banking operations, is not made out of thin air. It comes finally out of the savings of the people. Whether it comes in the first instance from government bond issues or from revenues it comes in the end from the citizens. This is an approach to state capitalism, if it is not the real thing. Taxation over and above the cost of the normal functions of government amounts to compulsory saving at the behest of the Government. And the public collection and investment of capital is nothing less than state capitalism. It is not a long step from state capitalism to state banking. If government finds it good to use its taxing power for capital operations it may soon find it better to take capital in the form of deposits as well as in the form of taxes. From at first using private banks as agencies it may go on to absorb them. One may say that this is preposterous but we are living in times when a wider definition is needed for that word.



*Acme* *Underwood* *Harris & Ewing*

*Uncle Sam's Big Money Lenders (Left to Right): Henry Morgenthau, Jr., chairman, Federal Farm Board; Jesse H. Jones, chairman, Reconstruction Finance Corporation; William F. Stevenson, chairman, Home Owners Loan Corporation.*

The Constitution gives the Federal Government exclusive control of money, and now that deposit money is used ten times as much as formal money it is not a long jump from control of the former to control of the latter, particularly in the present temper of Congress in respect of money and credit. Actually, the Federal Reserve Banks have become virtually servile government agencies, so far as their broad policies are concerned. If member banks do not fall in line with those policies something like compulsion may be envisaged.

The R.F.C. is developing into the likeness of a central commercial bank. It is becoming a shareholder in private banks and has been since its inception an extensive lender to banks in ways that are beyond the authority of the Federal Reserve. It has even made direct loans to corporations for self-liquidating projects and has an extensive portfolio of loans to railroads, insurance companies and other corporate bodies, which are largely within the field of private banks. It has been and is both a commercial and investment banking institution.

It is in some respects a competitor of the Federal Reserve Banks. It is today carrying many hundreds of millions of loans to banks which the Federal Reserve Banks could handle under the Glass-Steagall Act, but seem without inclination to do so. The recent departure in the establishment of local mortgage loan institutions puts the R.F.C. in direct competition with local banks, although those banks, if in a co-operative mood may use the new agencies as allies. That is, they can send to them borrowers whose requirements they do not care at this time to finance. The new institutions will lend for as short a time as six months, and up to three years with renewals running to five years. The theory is that eventually the banks will occupy this field again, but these loan institutions may well become permanent and continuous competitors of the banks in fields that were once a large source of business for them.

At the moment the bank share investment operations of the R.F.C. are being greatly extended by the requirements of the deposits insurance provisions of the Glass-Steagall Act. Banks lacking the capital to put into the Insurance Corporation are turning to the R.F.C. for funds, and in the case of the state banks, on whom the insurance legislation is not mandatory, there is often only the choice of making the R.F.C. a partner or of going without deposit insurance.

*Ousting Banks from Rural Finance*

The field of agricultural finance is steadily passing from the hands of the private banks. Just now attention is concentrated on the R.F.C. undertaking to lend cotton farmers 10 cents a pound on their cotton. In other days such financing would have been done by merchants and commercial banks. Not to mention the various other phases of the allotment plan financing because it is, perhaps, merely a passing episode, the list of government banks for farmers is positively startling. There are the Federal Land Banks for Co-operatives. A farmer must be nimble to dodge Credit Corporations, the Production Credit Companies, and Banks for Cooperatives. A farmer must be nimble to dodge indebtedness to the Government. All this spells the doom of rural commercial financing by private banks. What is not accomplished by the banking route the farm mortgage relief program promises to accomplish by farm loans. Long- and short-time financing of the farmers is becoming a Federal monopoly. One wonders what is to become of the country banks which have lived on the farmers. That's another exit for the local independent bank and an entrance for branch banks. The little country banks can't lend now because of economic conditions, and in the future they will have to compete with Uncle Sam and the government-backed co-operatives at every turn.

The urban banks have shown no great alacrity in responding to the several devices of the R.F.C. to galvanize them into lending activity. The Advisory Council of the Federal Reserve System even had the audacity to flout the Administration by advising bankers not to be tempted from their policy of nothing but sound loans. *(Please turn page)*

What is a sound loan? Nowadays it comes near to be a loan to a borrower who is in such easy circumstances that he doesn't need a loan. The borrower is expected to be about as liquid as the banks themselves. The latter have dug in until the depression is over, and they expect their former customers to do the same. They take no responsibility for business recovery. They are hoarding their credit as industriously as their depositors formerly hoarded their cash. They will use neither government cash nor their own credit. When business recovers and offers sound loans they will accept them; but business cannot recover without bank credit or a substitute. It has in most cases exhausted its cash and its own credit. Without bank credit it can no more function actively than a starving man until after he has eaten. In short, here is another of those vicious circles which have become more common in economics than hoop snakes in the imagination of childhood. The more unsound loans the banks discover, the more there are yet to be found. The loan classed as unsound today is certain to be so tomorrow. The less the banks lend, the less there is to be lent. By over-confidence they sacrificed their depositors when they failed, and by under-confidence they are sacrificing their borrowers when they are restored. They got into serious trouble when they lent on optimism, and they are in other trouble when they refuse to lend on pessimism.

The one great absentee in the national drive for recovery is the bank. The manufacturer and the merchant are doing their level best to build up prosperity, the bank does nothing. The Government pours out cash by the billion, the Federal Reserve Banks pursue an open market policy that has built the reserves of the member banks up to the colossal sum of 700 millions. But the banks take neither the cash nor the credit. They pay off their debts, but never do they borrow that they may lend.

But that is not all. Professing to be afraid that something may happen to put their depositors in the same non-lending mood as themselves—for every deposit is a loan to the bank—they are bitterly declaiming against the insurance project that will remove that menace. They are, in a word, afraid their depositors will again become panicky and at the same time opposed to a measure that will keep them calm. The banks exist but they do not live. Their credit is the effective money of the country but they have put it in cold storage. They denounce inflation but will do nothing for reflation.

To record a fact or picture a situation is not judge. What is the other side? Why are the banks the dead cylinder in the recovery engine? In the first place they are suffering from nervous shock. The great runs of February and March put them on the spot. For thousands of them the general bank holiday was doomsday. Nineteen thousand banks went into it and only thirteen thousand came out; upwards of three thousand are still in the morgue or the hospital. In that ordeal of death or life the acid test of the right to live was not solvency but liquidity. That is to say abundance of cash, few loans, liquid investments. National and state bank examiners saved only the unmaimed or the slightly wounded; the rest were left to die or consigned to the unlicensed limbo. No banker ever had a glassier eye than the one the bank examiners used in looking at bankers in those terrible days—and ever since, for that matter. The great lesson learned then, if not before, was that the bank that was in the nearest possible approach to suspended animation was the one that was saved. The nearer a bank was to a likeness of a safe-deposit box the better its chance of living. Thousands barely scraped by the judges of life and death. Nothing in such an experience to encourage banks to be leaders of recovery.

Still shell-shocked from their passage through the valley of death, the banks are now confronted by the threat of inflation. Nobody knows what may be its effects on business. It may be a lively prelude to another depression. As dealers in money the banks will not be affected by depreciated money; but they will be affected by what cheap money may do to business. And nobody is prepared to say with authority. Therefore, more caution. What, for example, will be the effect of depreciating money on deposits? It may be better to spend cash than to bother with depositing money that may buy less tomorrow than today. Present deposits may go out in a flood for instantaneous purchases and investments. A spending mania may be as bad as a hoarding hysteria.

### *The Insurance Bogey*

And, then, the banks are genuinely distressed over the deposits insurance ukase. It costs money, (and curtailing profits legislation and their own lifelessness makes them feel poor) makes the sound banks support the weaker ones, compels another ordeal of bank examination and, often, additional capital. It is contrary to all their traditional notions of sound banking being based on sound management. They see it not only as insurance of depositors but as a guaranty of unsafe banking. The Federal Reserve member banks have no choice but to comply if they possibly can—the alternative being the official closing of their doors. Some of the non-members state banks may not — perhaps cannot — comply; but if they do not, suspicious depositors will promptly empty their vaults and shut their doors. With many banks there is no alternative but to take help from the R.F.C.—and, yet, to take it is to confess weakness. They are damned if they

*(Please turn to page 658)*

## Uncle Sam Becomes Super-Banker

### Some Agencies and Ways of Government Lending

| | Lending Capacity (or Capital) |
|---|---|
| Postal Savings Depositories (deposits) | $1,200,000,000 |
| R. F. C. (catch-all loan bank) | 3,000,000,000 |
| Refinancing Farm Mortgage Loans (Federal Land Banks) | 2,000,000,000 |
| Original Farm Mortgage Loans (Land Banks) | 1,000,000,000 plus |
| New Capital for Land Banks | 125,000,000 |
| Home Loan Banks (original gov. invest.) | 125,000,000 |
| Home Loan Corporations | 2,000,000,000 |
| Initial financing new building and loan associations | 125,000,000 |
| Seed Loans | 200,000,000 |
| Cotton Carrying Loans | 400,000,000 |
| Intermediate Credit Banks (ag. loans) | 60,000,000 |
| Agric. Production Credit Corporations | 120,000,000 |
| Banks for Co-operatives | 110,000,000 |
| Subsidies for Crop Curtailment (Agricultural Adjust. Admin.) | 1,000,000,000 |
| Cotton Carrying Loans (R. F. C.) | 400,000,000 |
| Relief Loans to States | 300,000,000 |
| Federal Relief Administration (Gifts) | 500,000,000 |
| Emergency Farm Loans | 200,000,000 |
| Public Works Administration (Virtually construction subsidies and loans) | 3,300,000,000 |

NOTE: Some of these items overlap. Nor do they necessarily signify appropriations or drains on the Treasury to the extent of the amounts named, but all rest, even if temporarily, on Government cash, credit or authority.

# World Economic Flashes

By Ernest Greenwood

### *Gold Standard*

If the value of the American dollar finally sags down to fifty cents—European bankers are convinced that the United States will be unable to round the corner of economic recovery until it does—will France remain on the gold standard through sheer stubbornness or will she yield to the heavy strain on her international market? This is the question which, combined with a budget deficit of approximately 7 billion francs, is causing French politicians many sleepless nights.

It is admitted that France can remain on the gold standard if she can balance her budget. This is presumed to be possible because under the constitutional amendment hammered through by Poincaire she has the right to suspend sinking fund payments amounting to 3 billion francs for a year and it is believed that the remaining 4 billion francs will be obtained from the government lottery, the success of which has exceeded the wildest expectations. The Third Republic, with the blessings of the Church, has borrowed a leaf from the book of Louis XV who introduced the Venetian lottery system into France at the suggestion of Giovanni Casanova de Seingalt.

On the other hand there is little enthusiasm in government circles over sticking to the gold standard so long as the United States and Great Britain have abandoned it for an indefinite period. As is often the case with our own representatives in Washington, the crew of the French Ship of State finds itself between the devil and the deep, blue sea. The French people have not forgotten what happened to the franc before, and any politician advocating a violation of the chastity of the gold franc would soon be out of a job. Yet, just as long as France remains on the gold standard there is always the possibility—in the minds of French statesmen—that America will embark on a policy of buying and selling gold francs with paper dollars just as Great Britain bought and sold gold dollars with paper pounds as long as we stuck by gold. The French public, outside of Paris, is unusually stupid in its attitude toward the gold franc.

* * *

### *Gulden*

The Dutch feel very keenly about the golden gulden. The frugal Queen Wilhelmina, speaking for the Cabinet, rejects the notion that devaluation or inflation of the gulden is needed to improve Dutch trade and calls for drastic curtailment of expenditures.

Finance Minister Pieter Jacobus Oud advocates higher taxes and a *lower standard of living*. "The budget must be balanced and the gulden must be kept on the gold standard," he says.

### *Britain's Finances*

If we are to believe the reports of the British Treasury the tax-payers of Great Britain will have an opportunity in the near future to laugh at their American cousins. While government expenditures are lower than they have been at any time during the past 10 years, revenues for the first half of 1933 show a gain of nearly 7¼ million pounds over the same period of 1932. With the help of tariffs, better business throughout the country, and a steady reduction in unemployment, the gap between expenditures and revenues steadily grows narrower and England's financial position is stronger than it has been in many years.

* * *

### *Textiles*

The British awaken to the fact that the Japanese textile industry has been quietly making serious inroads in their Colonial markets and inspire the Indian government to notify Japan that on October 11 the trade agreement under which India and Japan have been working for 29 years will be abrogated and that the tariff on rayon and cotton from sources outside the British Empire will be increased from 50 to 75 per cent. Immediately representatives of the three governments—India, Great Britain and Japan—go into huddle in Simla, India, to try and unscramble the mess.

This tariff conflict, endangering Japan's favorable trade balance with India, West Africa, Egypt, the Straits Settlements, Kenya, Australia, Zanzibar and the Dutch East Indies has been made a national issue in Japan. Count Yasuya Uchida, Foreign Minister until September 14, is credited by the Japanese press with having said that "the sudden tariff assault by the government of India against Japanese goods is a very regrettable development. There is danger of the situation's giving rise to a conflict between Great Britain and Japan." Army and Navy officers in Japan are rattling their swords, talking about an "Asiatic League," and "Pan-Asia," with the demand of "Asia for the Asiatics," is in the air.

* * *

### *Mumps*

In the meantime Scottish retainers at Balmoral castle have been put to bed with the mumps by Queen Mary; Cuba shoots up its best hotel in a good, old New York gangster fashion; a Silesian business man is given 30 days in jail for shouting "Heil Hitler" in Czechoslovakia; Germany tries to pin the burning of the Reichstag building on a half-witted Dutch boy; and American inflationists adopt as their theme song "Uncle Sam Will Be In Heaven When The Dollar Goes To Hell" from the musical satire "As Thousands Cheer."

# Practical Lessons from Inflations Abroad

## The Fate of Europe's Investors During Currency Inflation

*(With Especial Reference to France and Germany)*

By Max Winkler

*Acme Photo*

*Making Paper Money in the Bureau of Printing & Engraving*

ALTHOUGH fundamentally, the United States dollar occupies a much stronger position among the world's currencies than is indicated by prevailing quotations in terms of gold or gold standard exchanges, American lawgivers charged with guiding the fiscal destinies of the nation, have, heedless of the past, persuaded themselves to believe that salvation lies in the legal devaluation of the country's monetary unit. A permanently lower dollar, they argue, would facilitate economic recovery, make possible competition with other nations, lead to expansion of commerce, revive industry, reduce unemployment, raise wages—in short, restore normality, and bring back prosperity.

Without wishing to question the sincerity of these men, it is safe to state that their arguments betray a certain lack of familiarity with financial history and the experience of other countries which sought salvation in the disregard of economic laws.

If it were possible to reduce economics to an exact science, and to solve problems in a manner similar to that employed by the mathematician or physicist, one might be tempted to subscribe to the reasoning adduced by the advocates of currency deterioration. The honest economist or sincere student of finance is not in a position to prophesy or foretell future developments. The number of intangible elements upon which such prophecy depends is too great. He has, however, history to go by. It is here where he may be able to gather enough material to enable him somewhat more accurately to interpret economic phenomena.

While one is obliged to admit that two situations in the realm of economics are rarely, if ever, identical, there is often sufficient similarity to make possible a fairly correct diagnosis, upon which is predicated a fairly dependable prognosis. In other words, if one wishes to ascertain in advance the fate which will befall one's investments as a result of revolutionary changes in the country's fiscal structure, he may with advantage consult for guidance and advice the pages of financial history.

We shall pass over the experiences with currency debasement of China under Emperor Chou of the Ching Dynasty some twenty-five centuries ago; of Mennos of Rhodes one hundred and fifty years later; of the Romans after the wars with Carthage; of the medieval princes; of Europe during and after the Thirty-Year War; of France during the Revolution; and of the United States in Colonial days and in the 60's of the past century. Although the method employed in each case differed, the results were virtually the same everywhere: Temporary improvement in conditions was effected at an abnormally excessive expense. The helpless part of the community was legislatively deprived of their property. The iniquity of the laws estranged the minds of many of the citizens from the habits and love of justice. The nature of obligations was so far changed that he was reckoned an honest man who, from principle, delayed paying his debts. The mounds which governments had erected to secure the observance of honesty in the commercial intercourse of man with man were broken down. Truth, honor, and justice were swept away by the overflowing deluge of legal iniquity and repudiation.

Since the above examples of tampering with currency and exchange occurred decades, nay, centuries, ago, those advocating similar measures today might be able to defend their stand on the grounds that times have changed, and that we are today in a better position to arrest the downward trend of our money once it threatens to get out of bounds, than were the Chous and the Mennos, the French of the Revolution, and the Americans of Colonial days. We shall, therefore, confine our observations to events which took place relatively recently, and which are still remembered most vividly by all. We shall analyze the experience of the investor, with a view to throwing light upon what might possibly occur to the American investor either under somewhat similar circumstances, or, should conditions threaten to assume aspects resembling those which obtained in European countries in the early post-war years.

When Germany of the Hohenzollerns decided to wage war upon the rest of the world, she felt that, by virtue of superior preparation and equipment, the conflict would come to a speedy end. The war chest at Spandau, created for the purpose of "defending the nation" with proceeds from the French indemnity of 1871, was soon exhausted. Accommodations abroad were not readily forthcoming. Rather than levy high taxes, the government created huge bond issues. The feeling of patriotism ran high, and all subscribed to new offerings. Officials of the Reich managed to convey to the people that the war would be over soon, that the enemy would be vanquished, and that a huge indemnity which he would be called upon to pay would enable the government to liquidate the war debt.

The cataclysm lasted for more than four years. Germany was beaten, and condemned to pay damages. The indemnity was not regarded as abnormally high by the victors, who based it on the enormity of the guilt, Germany had no alternative. She commenced to pay. Having spent most of her gold, and having lost or transferred abroad for safekeeping most of her liquid resources, Germany embarked upon a process of monetary inflation unparallelled in the annals of history. She printed "money" by the ton, by tens and thousands of tons. The peak was reached in 1924 with the monetary unit, the mark, being quoted at one-trillionth of a pre-war or gold mark, worth one quarter of a dollar.

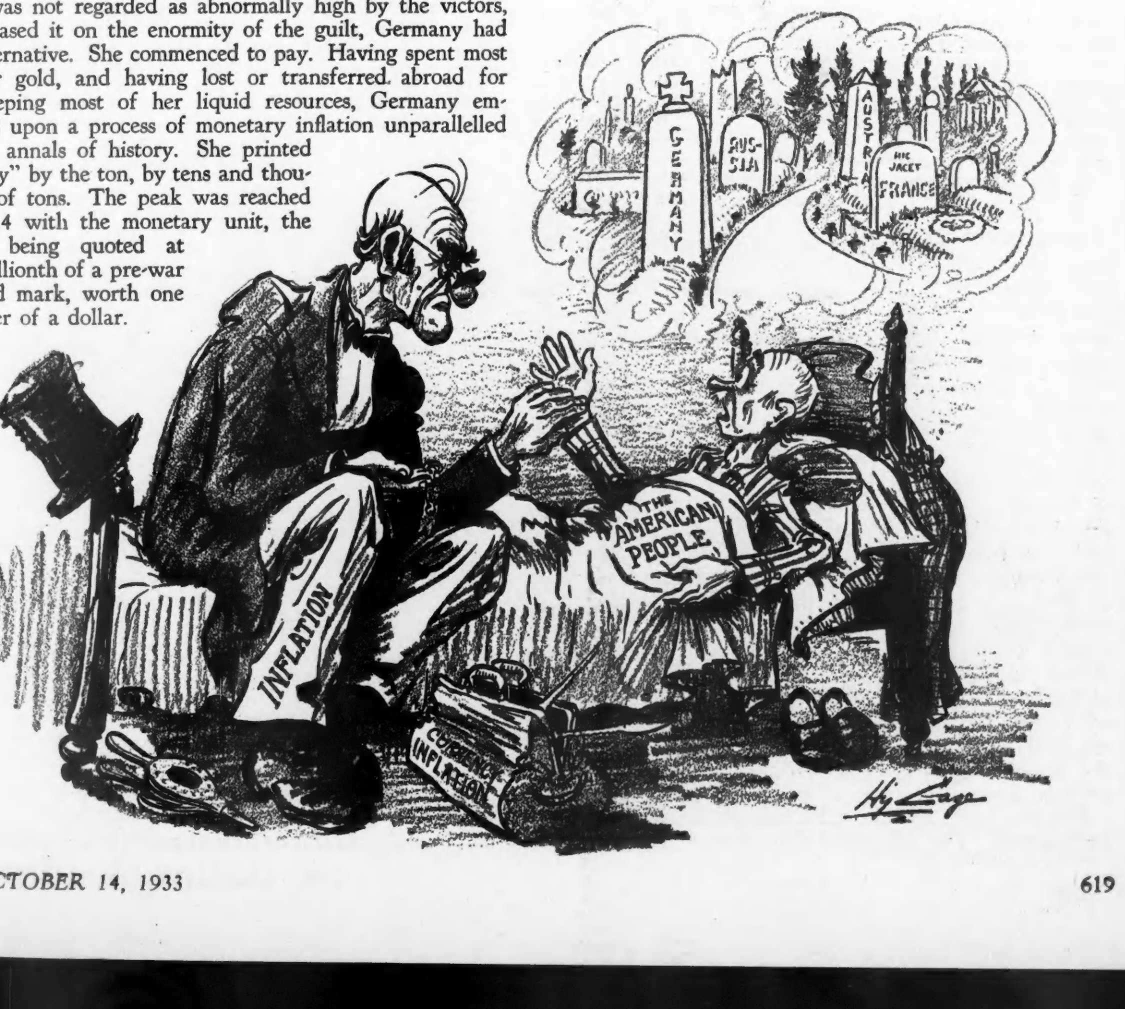
After having foisted billions of worthless paper upon the rest of the world, with the United States participating rather liberally, the Reich's creditors were convinced of the desirability of rehabilitating the country. This was done through the flotation of large loans in the various financial markets, on behalf of the government, the states, the cities, and corporations. Here again, America did more than her share, taking about 1¼ billion dollars of such loans.

How did the investor in German "mark" securities fare throughout the period of currency deterioration? To answer this question, we shall follow through an investment in representative German securities, shares as well as fixed income bearing issues, and ascertain their value on three different occasions:

At the beginning of 1914, when conditions may be assumed to have been normal; in 1924, when inflation or, rather, currency deterioration was at its worst; and in 1928, when conditions once again assumed a normal aspect. The stocks selected include German General Electric (leading manufacturer of electrical equipment), Deutsche Bank (leading bank), Hamburg-American Line (leading shipping concern), Badische Anilin (leading chemical company, now part of the I. G. Dye Trust), and Harpen Mining (leading iron and steel enterprise). Bonds chosen include what were generally regarded as Germany's highest grade issues.

| | *Quotations, in % of Par** | | |
|---|---|---|---|
| *Name of Stock* | 1914 | 1924** | 1928** |
| General Electric (A. E. G.) | 255 | 23¼ | 46⅞ |
| Deutsche Bank | 250 | 30 | 75⅝ |
| Hamburg-American Line | 133 | 8⅛ | 68¼ |
| Badische Anilin | 550 | 422 | 1,333⅓ |
| Harpen Mining | 177 | 80 | 170 |

* Prices have been reduced to a gold basis.
** Account has been taken of changes in capital structure.



## How Inflation Affected German and French Securities

### A—GERMANY

| | Cost in 1914 | Value in 1928 |
|---|---|---|
| **1. STOCKS** | | |
| German General Electric | $10,000 | $ 1,835 |
| Deutsche Bank | 10,000 | 3,105 |
| Hamburg-American Line | 10,000 | 5,130 |
| Badische Anilin | 10,000 | 24,235 |
| Harpen Mining | 10,000 | 9,045 |
| Total Stocks | $50,000 | $43,350 |
| **2. BONDS** | | |
| Miscellaneous Bonds | 25,000 | 3,325 |
| Total for Germany | $75,000 | $46,675 |

### B—FRANCE

| | Cost in 1914 | Value in 1928 |
|---|---|---|
| **1. STOCKS** | | |
| Banque de Paris | $10,000 | $ 3,470 |
| Cie. Generale des Eaux | 10,000 | 2,135 |
| Thomson-Houston | 10,000 | 1,725 |
| Mines de Bourges | 10,000 | 14,425 |
| Transatlantique | 10,000 | 21,840 |
| Total Stocks | $50,000 | $43,595 |
| **2. BONDS** | | |
| Miscellaneous Bonds | 25,000 | 4,035 |
| Total for France | $75,000 | $47,630 |

From the accompanying table, it is noted that even when inflation was at its worst, the aggregate market value of five representative shares was about 41¼ per cent of the figure in 1914, while on return of normality in 1928, the market price approximated 125 per cent of the pre-war figure. The chemical stock fared best, the quotation in 1928 amounting to more than 242 per cent the 1914 figure. Iron and steel shares rank second, quotations approximating the 1914 level. Shipping stocks hold third place with a shrinkage of less than fifty per cent. Bank stocks and shares of Germany's leading electrical manufacturing company are fourth and fifth, respectively, with shrinkages of 70 and 82 per cent. In other words, representative common stocks got through the storm of inflation and currency deterioration satisfactorily.

How about bonds? The subjoined table affords the answer:

| *Name of Bond* | *Quotations, in % of Par** 1914 | 1914 | 1928** |
|---|---|---|---|
| German Government 3s | 76 | 1½ | 12⅝ |
| Prussian Consolidated 3½s | 85½ | 1¼ | 14⅞ |
| Frankfort-on-Main 4s | 96 | 2 | 6¼ |
| Meiningen Mortgage Bank 4s | 93 | 7 | 14 |
| Krupp, Fried 4s | 97 | ⅞ | 11½ |

* Prices have been reduced to a gold basis.

** Account has been taken of the revaluation laws, and their effect on the securities in question.

At the height of inflation, holders of the highest-grade bonds were practically wiped out. The same would have been true in 1928, were it not for the so-called Revaluation Law of 1925, which revalued upward (*aufwertete*) fixed income bearing issues. Germany, of course, presents an extreme case of currency deterioration.

For the purpose of this article, France is a better example. She borrowed heavily at home and abroad, for war purposes, rather than tax her own nationals, despite the admitted holiness of the French cause. Borrowing became particularly pronounced after the victory and the Treaty of Versailles. Fully convinced that the vanquished foe would foot the bill, France spent billions, nay, tens of billions of francs to restore the devastated area. When it was discovered that Germany neither would nor could pay a substantial part of what the French had expended, further loans had to be authorized to take care of already existing commitments. Expenses exceeded receipts, and chronic budgetary deficits did not fail to affect the status of the franc. From a gold parity of 19.3 cents, it dropped at one time to one-tenth this figure. The gold holdings of the Bank of France had been reduced to a minimum, with the result that offerings of currency, especially for the account of speculators who anticipated that the franc would follow the mark, and the ruble and the krone, could not be absorbed. The collapse of the currency was imminent

At this point, America came to the rescue. A credit of 100 million dollars was arranged. The speculators were routed. The franc was saved. In the meantime, Germany's borrowing orgy had started. France obtained the lion's share. Before long, the franc was stabilized, and the value fixed at approximately one-fourth the old parity.

The vicissitudes of the French investor during this period are of interest. Six representative stocks have been selected, including the Banque de Paris (a leading commercial bank), Cie. Générale des Eaux (leading public utility), Thomson-Houston (prominent manufacturer of electrical equipment), Mines de Bourges (important mining concern), Schneider & Cie. (leading steel company), and Cie. Transatlantique (prominent shipping concern).

| | *Quotations of French Stocks* 1914 *Francs* | 1914 *Dollars** | 1924 *Francs* | 1924 *Dollars** | 1928 *Francs* | 1928 *Dollars** |
|---|---|---|---|---|---|---|
| Banque de Paris | 1640 | 328.00 | 1521 | 80.10 | 2915 | 113.70 |
| Cie. Générale des Eaux | 2083 | 416.60 | 1061 | 55.70 | 2280 | 88.90 |
| Thomson-Houston | 860 | 172.00 | 585 | 30.70 | 760 | 29.65 |
| Mines de Bourges | 465 | 93.00 | 1650 | 86.60 | 3440 | 134.15 |
| Schneider & Cie. | 2032 | 406.40 | 1340 | 70.35 | 1550 | 60.45 |
| Cie. Transatlantique | 159 | 31.80 | 624 | 32.75 | 3480 | 67.45 |

* Converted at rate of exchange on New York.

In 1924, when the French currency was trending downward, representative French shares, mining and shipping shares, showed a substantial advance in terms of francs, compared with 1914 prices, although converted into dollars at the then-prevailing rates, the advance was less marked. When the stabilization process was over, leading shares were lower than before the war, with the exception of the two groups referred to above. The aggregate market value of the entire list, assuming one share in each company included in the study, amounted in 1928 to $494.20, compared with $356.20 in 1924, and $1,447.80 in 1914. In terms of francs, the cost of the shares included in the list amounted to 7239 in 1914. It declined to Fcs. 6781 in 1924, and rose to Fcs. 14,425 in 1928.

The investor in bonds fared somewhat less satisfactorily, as may be seen from the accompanying table:

| | *Quotations of French Bonds** 1914 *Francs* | 1914 *Dollars* | 1924 *Francs* | 1924 *Dollars* | 1928 *Francs* | 1928 *Dollars* |
|---|---|---|---|---|---|---|
| French Perpetual 3s | 87.10 | 174.20 | 51.05 | 26.80 | 76.75 | 29.95 |
| Paris 3s | 79.20 | 158.40 | 65.20 | 34.20 | 69.00 | 26.90 |
| Credit Foncier 3s | 88.40 | 176.80 | 55.20 | 29.00 | 66.40 | 25.90 |
| Paris-Lyons-Med. Ry. 3s | 82.00 | 164.00 | 51.60 | 27.10 | 62.40 | 24.35 |
| Thomson-Houston 4s | 89.20 | 178.40 | 58.40 | 30.65 | 78.00 | 30.40 |

* Dollar prices are on the basis of exchange on New York per bond of Fcs. 1000.

(*Please turn to page 653*)

*The Electric and Gas Utilities possess inherent economic advantages which normally would insure their recovery to a level of prosperity.*

*Yet the present time finds their eighteen-billion-dollar investment menaced by burdensome taxation, rate agitation and incessant political attack.*

# Public Utilities at the Crossroads

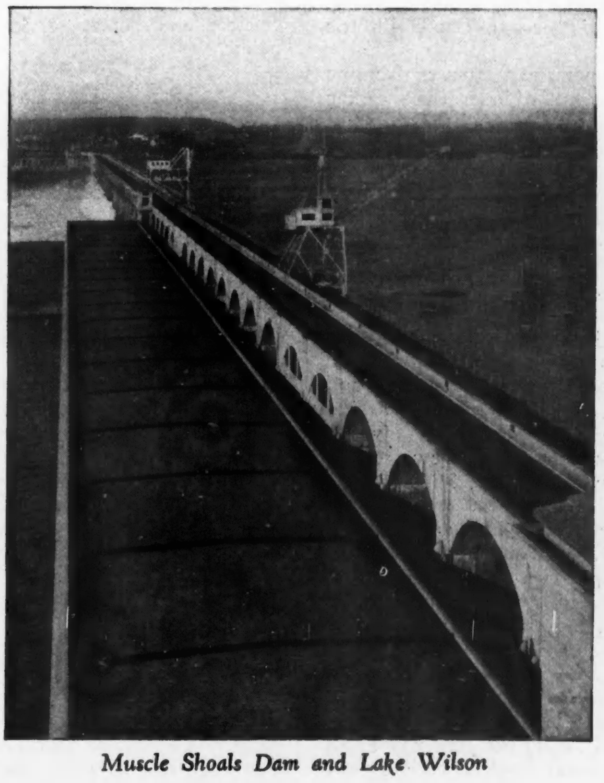
By Francis C. Fullerton

NEARLY 3,000,000 American citizens are owners of public utility securities. Through the bond investments of life insurance companies and savings banks, the millions who have savings deposits or carry insurance also have a stake of vital importance in the utility industry. The total investment in electric utilities is nearly 13 billion dollars. The total investment in gas utilities is nearly 5 billion dollars.

Thus, without including telephone utilities, with which this article is not concerned, and traction utilities, in which investor interest is relatively small, we are dealing herein with a utility investment of nearly 18 billion dollars. It is difficult to comprehend a sum of such astronomical proportions. For the sake of perspective, compare it with the debt of the Federal Government, which is slightly less than 22 billions; or with total savings deposits in all of the nation's banks, which are not much more than 20 billions.

We cite this 18-billion-dollar figure not for such academic interest as it may have. It is of major, practical interest because the huge total of accumulated savings which it represents is now definitely under attack. The forces working against it are both political and economic. The economic adversities, however, are counter-balanced by a variety of basic economic advantages. The political attack, having no effective counter-balance, is of greater significance. We will begin with it, therefore, in attempting a concise summation of the situation confronting utilities and utility investors.

First, however, let us pause briefly to see what has happened to utility securities. At the high of the 1929 bull market the average price of a list of twenty representative utility stocks was $144.61. At the bottom of the bear market in July, 1932, it had fallen to $16.73. This change was somewhat startling, in view of the fact that the gross revenues of the utilities characteristically withstood the impact of depression far better than did gross revenues of the railroads and most industrial corporations. It was relatively late in the depression that the decline in utility gross income began to make serious inroads upon net earnings. Indeed, during the first two years of depression, it was possible with considerable justification to apply the term "depression-proof" to the sounder operating utilities.



*Muscle Shoals Dam and Lake Wilson*

The strongest oak, however, will bend if the storm is sufficiently severe. The utilities, like the railroads, are obligated to bondholders for a large proportion of their capital. Fixed charges cannot be reduced. Other operating expenses are subject only to limited reduction. As declining income approaches the total required by fixed charges and irreducible operating expenses the margin left for stockholders shrinks rapidly.

Unfortunately, the whole story does not lie in depression's effect upon gross revenues. Were that the case the utilities would now be emerging from their troubles, for the general economic recovery experienced since last March has, as was to be expected, produced a substantial upturn in the trend line of electric and gas consumption. Old difficulties, other than

those incident to general depression, have steadily become more acute and new difficulties have arisen. The trend of rates has continued downward. Taxation, the cost of materials and payrolls are in an upward trend. Between these divergent forces—with politics working several of the controls—utility earnings have been further ground down.

Throughout the sensational advance of the stock market from March to late July the utility stocks were laggards. On the decline from the July peak they have been leaders. At this writing most of the year's advance has been cancelled and the average price of twenty representative issues is $25. Moreover, this figure is in paper dollars. If we allow for the dollar's current discount in terms of gold, the gold price of our twenty utilities is $15.75. or slightly under the lowest level of the panic quotations of 1932.

The dividend record makes similarly gloomy reading. Here and there industrial companies, free to make the most of enlarged consumer demand, have restored or increased their dividends; but the trend of utility dividends continues downward. So far this year more than 50 utility companies have omitted dividends on approximately 75 stock issues, both common and preferred; and 80 companies have reduced dividends on approximately 100 stock issues.

Many of these companies had maintained unbroken dividend records for years. The list of utilities which have either reduced or omitted dividend payments this year on one more stock issues includes such prominent leaders as Consolidated Gas of New York, Peoples Gas Light & Coke of Chicago, Detroit Edison, Commonwealth Edison, Edison Electric of Boston, Duke Power, Public Service of New Jersey, Pacific Gas & Electric, Central Illinois Public Service, Engineers Public Service, Long Island Lighting, Niagara-Hudson Power, North American Gas & Electric and Public Service of Indiana.

We have stated above that political factors confronting the utilities are decidedly adverse. Under this heading may be included taxation, rate agitation and the threat of governmental competition with privately-owned companies. Before attempting a bird's-eye inspection of these items in the order named, it is perhaps worth while to state the facts as to the charges which the public is paying for utility services in relation to other costs of living.

*Political Agitation*

Political agitation centers chiefly on the rates charged domestic consumers for electricity, there being little political velvet in attacking the rates charged commerce and industry. On last June 30, the average rate charged domestic consumers throughout the country as a whole was 5.56 cents per kilowatt-hour, the lowest rate on record. The rate was 5.65 cents on June 30, 1932; 5.78 in 1931; 6.03 in 1930; 6.30 in 1929; 7 cents in 1926 and 8.7 cents in 1913. The reduction—chiefly brought about by voluntary cuts designed to stimulate consumption—since the pre-war year 1913 has been 36 per cent. Thus the public certainly has little of which to complain when utility rates are compared to costs of other essentials of life.

To Isador Lubin, United States Commissioner of Labor Statistics, we are indebted for some illuminating figures on the cost of living published in the New York Times on July 30. Taking $1 as the 1913 base, the combined purchases of the average American family last June cost $1.28 or 28 per cent above the pre-war level. Clothing was 20 per cent above the 1913 level. Miscellaneous items, making up approximately 21 per cent of the living costs of the average family, were about twice as expensive as in 1913. Indeed, the costs of the combined services of the doctor, the dentist, the barber, the laundry and others catering to our daily needs, were, according to Commissioner Lubin, 94 per cent above the pre-war level. Since June, of course, there has been a further increase in the cost of living, notably in clothing.

For perhaps more appropriate comparison, two other public services which are subject to governmental regulation may be cited Telephone and railroad rates are both substantially higher than the pre-war levels. Some justification, of course, may be cited. The railroads are hard-pressed to earn fixed charges. The investment in telephone plant and the resulting fixed charges increase in almost geometric proportion to the increase in number of inter-connected instruments.

These economic facts hardly explain why the political guns pass up the railroads, take but an occasional pot shot at the telephone business and center their heaviest fire on the electric and gas utilities. Admittedly the utility industry is not without blame, as some of its more responsible executives freely admit. It is still suffering from the stupid and blundering propaganda of past years, from the failure of management here and there to recognize its proper public responsibility and from the excesses of financial manipulation brought into the glaring spotlight of public attention in the collapse of several utility holding company pyramids.

The writer does not seek to minimize or apologize for past abuses. They were, however, the exception, rather than the rule. It is the fate of the sound operating utility that we are most concerned with herein. On the whole, the record of these companies is unquestionably one of efficient and honest service at ever lower cost to the public.

*Low Cost of Service*

As compared with successful industrial companies, the dividends paid throughout the years by the electric and gas utilities have been moderate on the average. In dollars and cents, as well as relative to other living expenses, the cost of these essential and uninterrupted services is low. Thus, at average domestic rates, it costs 3 cents a day to light a five-room house, while the food for a family of four can be cooked in a gas range at an average cost also of 3 cents a day.

Given this apparent paucity of ammunition, it would seem difficult for politicians to succeed in whipping up a public agitation for still lower rates. Given these facts, it would seem that there is scant promise of profit in proposed governmental utility operation in competition with established private companies, whose rates already are subject to effective public control. Yet the cold fact remains that politicians and holders of public office are in hotter-than-ever pursuit of the utilities and, per se, in heavier than ever attack upon the interests of the several millions of citizens who have direct investments in utilities, as well as of the millions who have an indirect stake through the insurance companies and savings banks. The cold fact, also, is that the Roosevelt Administration is actively sponsoring governmental development and sale of electricity in competition with established private companies. The known attitude of Washington has served to encourage rate agitation. In retrospect it can be seen that

the waning of investor confidence in utility stocks began with the election of the present Administration. Specifically, the most recent slump in utility stocks was touched off by announcement of the rates to be charged for electricity developed by the Tennessee Valley Authority, creation of the Federal Government, at Muscle Shoals.

Admittedly, we are in an age of ever-increasing socialization in which the broader public interests must be accepted as outweighing profit or loss for individual investors. With this tendency this article has no quarrel. On the other hand, recognizing it, it is pertinent to ask two questions. Have we reached a point of socialization at which the majority is willing—understanding the facts—for its government to destroy or impair the property rights of a broad section of private investors in utility securities? If so, the same principle logically might apply to other industries affected with a public interest. Secondly, if this social and political principle is to be our established policy with regard to utilities, should we not judge it by the test of practicality?

The announced political objective is to save the consuming public from exploitation. This is to say, to save the public money by obtaining lower utility rates for it. Assuming that such action is necessary—voluntary reductions in sheer business self-interest on the part of the utilities not being sufficient—it has been extensively accomplished by the utility commissions in the various states. Now, however, for the first time, the Federal Government is attempting to force the rate structure downward, both by actual competition of Government-developed power from Muscle Shoals, the threat of similar competition from Boulder Dam, the Columbia Basin and the St. Lawrence Waterway, and by the "yardstick" example which these projects are intended to supply to the public and the utility industry.

### *The Threat of Federal Ownership*

It is possible to accept this policy as the opening wedge to government ownership of all utilities. Presumably our socialization would stop short of refusing at least to swap government bonds for existing securities! On the other hand, President Roosevelt himself has said:

"I do not hold with those who advocate government ownership or government operation of all utilities. I state to you categorically that as a broad general rule the development of utilities should remain, with certain exceptions, a function for private initiative and private capital."

The "certain exceptions" appear to be public-owned hydro-electric sites and communities in which the public is not satisfied with its private utility service and rates. In the same campaign speech Mr. Roosevelt stated that we are "most certainly backward in the use of electricity in our American homes and on our farms." He added that the reason is that "many selfish interests in control of light and power industries have not been sufficiently farsighted to establish rates low enough to encourage widespread public use."

Thus, the stated objective may or may not turn out to be government ownership, but it is plainly to provide lower rates, and, therefore, a monetary saving, to the public.

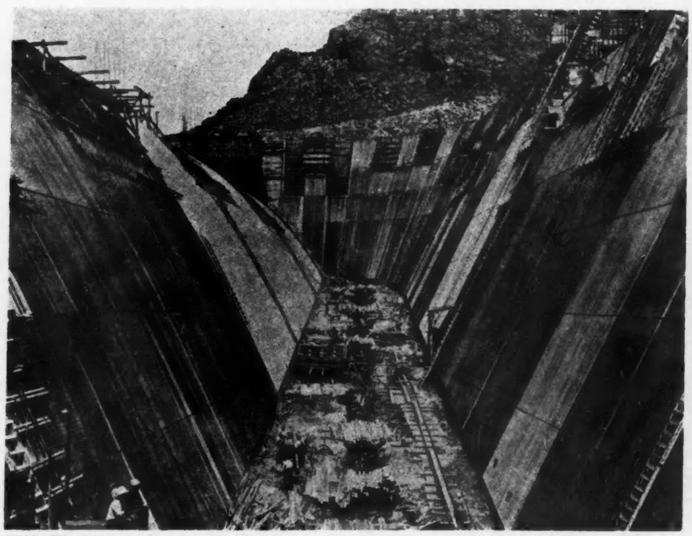
This question of the possible financial benefit to the consuming public presents some interesting ground for conjecture. Paul S. Clapp, vice-president of the Columbia Gas & Electric Corporation, recently asserted in an address to the American Gas Association, that the total taxes collected by all units of government in this country this year will be more than 10 billion dollars and that total expenditures, including borrowed money, by all governmental units will exceed 14 billions of dollars.

Thus the tax bill of the average American family figures out approximately $1.10 per day. The average cost per family per day for gas and electricity is about 20 cents. One would say that the larger item offers greater leeway for savings. An economy of 10 per cent in the aggregate cost of government would pay more than half of the present domestic electric and gas bill.

Utility taxes have gone up steadily. There are such newcomers as the 3 per cent tax on domestic electric bills, paid directly by the companies; the special utility taxes voted by the City of New York, the sales tax on electricity and gas in Illinois. The list is far too long for the space available. Suffice it to say that the political spenders almost invariably think first of the utilities, along with gasoline and liquor, when more taxes are needed.

The 1932 tax bill of the gas utilities was $75,200.000, an increase of nearly 9 per cent over 1931 and equivalent to 14 per cent of the total revenues received from all domestic customers. Electric utility taxes for 1932 amounted to $217,000,000. This is an average of 12.25 per cent of gross revenues and not much less than 50 per cent of the net income of the industry as a whole.

So much for taxation as related to the cost of living for the utilities and the public. The remaining political factors pertinent to this article are rate agitation—which is so obvious that we need only say it is continuing in full blast with political stimulation—and the threat of governmental competition from public-owned hydro-electric sites.



*Wide World Photo*

*Construction Progresses on Boulder Dam. The Nearly-Completed Arizona Spillway*

In the matter of governmental competition and "yardstick" example, it is Muscle Shoals which now holds the stage. The Boulder Dam project is not yet in operation, although, like Muscle Shoals, it has had many millions of dollars of the taxpayers' money spent upon it. In what we may call the blue print stage of political hopes are the Columbia Basin in the Pacific northwest and the St. Lawrence Waterway.

At Muscle Shoals the Government can now originate enough

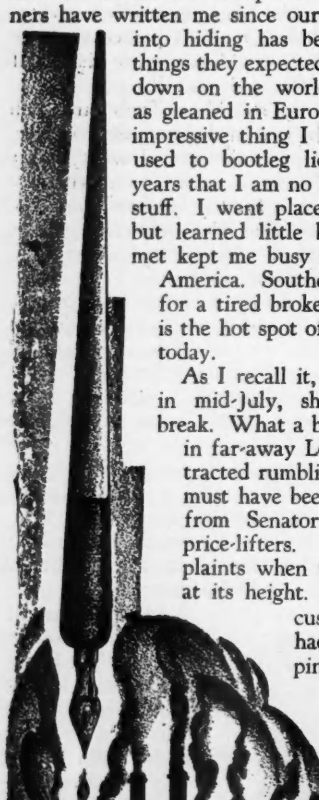
*(Please turn to page 656)*

# Intimate Letters of a
# & His New

New York, October 7, 1933.

Dear Don:

When I took my vacation this year I eschewed letter-writing with all other chores. Even my office has had little more from me than postcards although what my partners have written me since our commission business went into hiding has been plenty. Among other things they expected me to bring back the low-down on the world's dilemma and its cure, as gleaned in Europe's capitals; but the most impressive thing I learned is that I've got so used to bootleg liquor in the past thirteen years that I am no longer a judge of the good stuff. I went places in England and France, but learned little because every European I met kept me busy answering questions about America. Southern France is a swell place for a tired broker to rest but the U. S. A. is the hot spot of action and world interest today.



As I recall it, my last letter to you was in mid-July, shortly before the market break. What a bust! I heard the explosion in far-away London, followed by a protracted rumbling noise which, I suppose, must have been the roars of disapproval from Senator Thomas and the other price-lifters. I didn't hear any complaints when the speculative party was at its height. As a matter of fact, the customers' men in my office had little to do with whipping up the late bull market. It was the tip from Washington that brought the customers rushing in for easy profits—the tip, published to the wide, wide world, that Uncle Sam intends to lift commodity prices back to the level of 1926, even if the old gent breaks a leg doing it. To blame Wall Street this time for the jag and the resulting headache seems to me just a bit thick. Yet I see by the papers that the politicians in your home town again have their pencils out and are trying to devise legislation to put a curb upon violent price fluctuations on the New York Stock Exchange. Verily, short is the memory of men! Do you remember the minimum price for wheat on the Chicago Board of Trade and the simultaneous disappearance of the market, both futures and cash? The farmers were among those hurt and Washington dropped this particular price peg like a hot potato. I will make you a sizeable bet that over-zealous Federal regulation of the Stock Exchange, when and if tried, will almost as quickly demonstrate its own folly. It will not regulate the market, but simply put it out of action until free trading is restored.

About the market break, pardon me for saying, "I told you so." Nor is this a boast of exceptional wisdom. I merely know that two and two make four and not five. Anyone slightly more than half-witted must have had a faint suspicion that the July soiree would most likely end in a sudden and acute pain in the speculative neck. You ask my present market opinion. Sorry, old boy. You'll have to seek elsewhere. I have no opinion. I've never felt less conviction as to whether the early market ride is to be up hill or down. Definite convictions, however, are not essential to the brokerage business. I was able to take an extended European vacation this year because it makes no difference to me whether you and the other customers guess right or wrong, so long as you buy and sell and pay commissions.

I can only report that Wall Street is restless and confused. Most of the traders I know have the inflation jitters. They spend most of their time and plenty of their money jumping from rumor to rumor. It is a grand poker game, old son, with four jokers in the deck and the deuces wild. No one knows when the rules may be changed. Like Will Rogers, all we know here in the Street is what we see in the papers—and much of that is, to me, just as clear as mud. I take it that some of your fellow workers of the press, perhaps made dizzy by the Washington run-around, are as much in the fog as we are. For example, the eminent New York Evening Post solemnly informs me that what the Administration is seeking is "credit expansion of the currency." Whatever that mixture may be, it ought to please both sides of the inflation controversy. Senator Pat Harrison, I see, wants "rational inflation." That reminds me of a famous toper, I once knew. Upon every drink, after the first ten or twelve, he used to boast: "I always know when I've had enough." What we really need is an inflation that will raise all prices without raising the cost of living. If you can invent something along this line I'm sure Senator Harrison would get you a Congressional Medal of Honor.

The New York Times hears that the dollar will soon be revalued and stabilized, with promise of a return to the gold standard as soon as feasible. Maybe you can translate this for me. How can we have revaluation and stabilization without a simultaneous return to the gold standard? And if we revalue at the present level, what becomes of the campaign to lift prices back to the 1926 level? The dollar's

# Washington Journalist
# York Broker

quotation in foreign exchanges means little to Billy Farmer and others who are crying to high heaven for a cheap dollar. Today's dollar is not very cheap and remains none too easy to get. In this country it still buys some 33 per cent more than it did ten years ago. I don't believe the setting is yet right for a stabilization that will hold.

I agree that N R A is much that you enthusiastically proclaim it to be, but take a look at these figures from the National Industrial Conference Board. Manufacturing employment in August up 8.6 per cent. Fine! Average hourly earnings up 9.2 per cent. Great! Average hours of work per week down 8.9 per cent. Increased leisure? Yes, but also this third figure means that average *weekly* earnings in August increased only ½ of 1 per cent. It is average weekly earnings, my boy, that make trade. If you will figure the August jump in the cost of living and average weekly earnings in terms of purchasing power, you will find that real wages in manufacturing industries during August declined 1.8 per cent. Is this sound recovery, or are we, like kittens, merely chasing our tails?

You ask what I think about the liquor stocks. Well, most of my friends for some years have been in the habit of serving cocktails in which the authoritative base is bootleg gin. It is cheap and not unduly corrosive. I'm wondering, as I consider roseate estimates of future whiskey profits, if gin may not have become something of a habit with the present generation of hard liquor drinkers. I am not so sure, either, that the applejack business will die a sudden death. All that the bootlegging industry needs for a new lease on life is for the Federal, state and local governments to over-reach themselves on liquor taxation.

Cordially yours,
PERRY

P. S. Speaking of taxes, what a beating Sam Untermyer took! I suppose you know that for years Wall Street and Mr. Untermyer have entertained a most hearty and cordial dislike for each other. Even though commission business is slow right now, the satisfied smirk of the cat that ate the canary just about matches the grin with which we in the Street have watched Mr. Untermyer's strategic retreat from his pet scheme of rescuing Tammany Hall at the expense of more Wall Street taxation. The most popular song hereabouts is, "Who's afraid of the big, bad Untermyer?"

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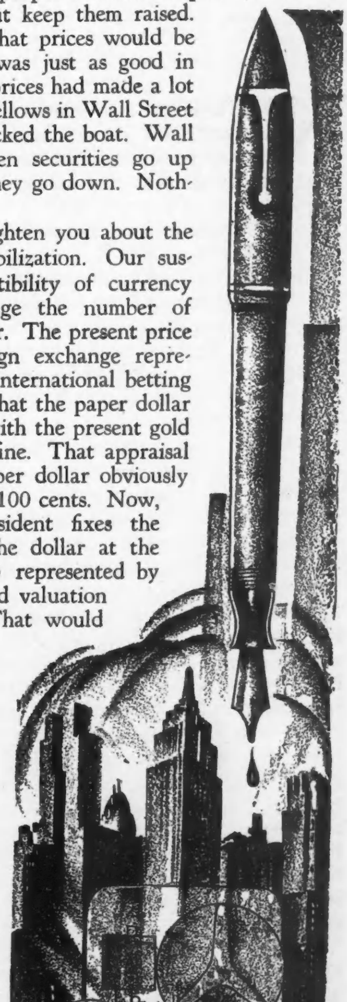
WASHINGTON, October 8, 1933.

DEAR PERRY:

It was just like you to call the turn on the market last July and then duck before you could change your mind. The only way a broker can get a reputation for stability of opinion is to keep still. I wish I were a free man. While you were taking your ease on the Cote d'Or I was explaining to my legion of correspondents all over the country why I hadn't told them what was going to happen. And why didn't I? How could I go back on the President? I agreed with you, but there was the chance that my saying so would make the probable reaction a certainty.

Of course, you defend Wall Street, but your point of view is distorted. The proper business of speculation is not only to raise prices but keep them raised. The Washington tip that prices would be raised to 1926 levels was just as good in July as in May. And prices had made a lot of progress when you fellows in Wall Street and La Salle Street rocked the boat. Wall Street is all right when securities go up and all wrong when they go down. Nothing could be plainer.



Now I'll try to enlighten you about the gold standard and stabilization. Our suspension of the convertibility of currency into gold didn't change the number of grains in the gold dollar. The present price of the dollar in foreign exchange represents the consensus of international betting and calculation as to what the paper dollar is worth as compared with the present gold dollar of 22.23 grains fine. That appraisal of the value of the paper dollar obviously can not be higher than 100 cents. Now, suppose that the President fixes the number of grains in the dollar at the quantity (14.45 grains) represented by the 65-cent foreign gold valuation of the paper dollar. That would insure that the present 65-cent level could not be surpassed. Stabilization operations could then be undertaken to keep the dollar from falling, but return to gold convertibility could be postponed pending international action and adjustments of internal price levels. We have today, say, an 85-cent dollar at home. Certainty that the new standard dollar would be a 65-cent dollar would tend to raise domestic prices. Do you understand? Well, I'm not sure that I do, myself.

(*Please turn to page* 654)

# The Employer Looks at Labor's Growing Power

## Shorter Hours and Higher Wages Must Be Accompanied by Rational Business Expansion

By Robert L. Lund

*President, National Association of Manufacturers*

*Member N R A Industrial Advisory Board*

NOTHING in the whirlpool of economic and social change of the past several months has been more gratifying than the adaptability shown by the American business man. It has been said of him, as was said of the old Bourbon kings of France, that he never learned and never forgot. He has been represented as a smug sort of greedy, economic entity who was sure that if he prospered according to his lights God would continue to reign in His heaven and all would be well with the universe.

But now, when the acid test has come, we find that the American employer is, in large majority, liberal, progressive and socially sympathetic, far more so than at any former period of stress and change in our history.

Although by no means certain what the recovery program will ultimately bring about, we find that as a class our employers are as ready to lend sound co-operation as any other group in our population. They have patriotically accepted the Recovery Act as well as the President's extra-legal, optional re-employment agreement and are energetically aiding in their administration, even though to do so has gone counter to all of their traditions and experiences. They have, furthermore, got behind the emergency drive for forced recovery at great immediate money cost. They have increased employment, boosted wage rates and expanded payrolls with nothing more substantial than a hope that growing business would meet these burdens.

All of this is reflected in the submission of almost nine hundred codes of fair practice covering every industry of any importance in the country and over 95 per cent of the industrial workers, and in virtually universal voluntary compliance with the President's Re-employment Agreement providing for shorter hours and higher wages for labor without any corresponding advantages to the employer.

There has been no principle in our industrial life hitherto that has seemed more important and more American than the freedom of contract between employer and employe. The fact that American labor has never been so tightly unionized as in other countries, notably in the United Kingdom, has given our industrial structure a mobility, elasticity, and *esprit de corps* that have enabled it successfully to meet grave situations at home and win notable victories in trade competition abroad. Proprietors have made money and workers have been far better paid here than abroad. There has been far more of the spirit of partnership here than there. Nevertheless, American industry has accepted with all good will the provisions for collective bargaining between employers and employes embedded in the National Industrial Recovery Act. It has done so with the conviction that the Act does not change individual rights in employment relations nor the principle of employment and promotion on basis of merit, both fundamental in American industry; and also not unmindful of the threat of the closed union shop, a labor objective although clearly not in accordance with the Act.

*Robert L. Lund*

I am sorry that the attitude of labor leaders has not been so enlightened as that of employers. The Industrial Recovery Act has opened to them the opportunity, by misinterpretation and misrepresentation, to put the power, or at least the influence, of the Government behind one group and type of labor organization, namely, that of the American Federation of Labor and the organizations allied with it. The various trades unions in these organizations have used the Act as a springboard for organizing activities and there has developed a labor situation which has seriously interfered with the attainment of N R A objectives.

This statement is not made in a spirit of mere criticism, it simply records the fact. As Mr. Chester Wright pointed out in a recent article in The Magazine of Wall Street, the American Federation of Labor looks upon the N R A as a God-given opportunity to extend itself over the whole field of American industry. It is not only energetically proselyting under the assumed sanction of the Government, but it is frankly attempting to overthrow labor organizations which are of different types and different methods and thus monopolize the field. The program is to impose

universally on industry the archaic trades union type of organization under which an employer who has a score of trades represented among his employes must bargain with unions representing each of them. In employment relations workers and employers should deal individually or should be partners in complementary co-operative organizations. No other plan will meet the needs of present day industry.

In the meanwhile we face a chaotic situation in which the economy of the nation is disorganized by the efforts of a relatively small group, to control the whole of labor, even while it is engaged in furious "jurisdictional" dissensions within its own ranks. For instance, right under the shadow of the N R A in Washington, right across the street from it, in fact, much needed employment on public buildings has been suspended for weeks because of disputes between trades unions as to which of them had organization jurisdiction over the job.

### *Strikes Affect Re-Employment*

It is clear that the untimely aggressiveness of the international unions has very seriously offset N R A employment gains. It can be conclusively shown that in some communities about as many men have been thrown out of work by strikes as have been added to payrolls under the Industrial Recovery Act and the N R A or P R A drive. In St. Louis, for instance, it is known that at this moment 12,000 men are out on strike while N R A has resulted in jobs for 20,000. It would be conservative to say that the succession of strikes is keeping an average of 200,000 men idle. We are heading toward a most dangerous situation.

It was the position of our Association when the legislation was in Congress that no labor clauses should be included in the Act, since to do so tended to make it labor legislation rather than recovery legislation. As was then predicted, the Act has stimulated highly disturbing labor organization activity which is going on with great intensity throughout the country. This activity has tended to divert the attention of both industry and labor from the real purposes of the legislation and to a considerable degree is making it impossible to attain the objectives of the program. This situation is growing steadily more serious and may require eventually some very drastic action.

I think it may be fairly said that organized labor has not been as co-operative in promoting the new deal as employers. There is no doubt in my mind that the emphasis that has been recklessly placed on unreasonably high minimum wages and low maximum hours at the start has tended to delay business recovery and to kill the N R A. This attitude is easily understood as are its destructive effects.

It should be recalled that the National Industrial Recovery Act had its beginning in the Black Bill, a plan merely to spread work. It was not in the beginning a dynamic recovery enterprise at all but rather a measure of social relief. The idea was to keep the country alive on short rations with no definite purpose in the direction of increasing its energy and vitality. The stage has now been reached where there are two objectives on the labor side of N R A. One is still to spread out work as much as possible, but the other, and major one, is deliberately to inflate employment and fatten payrolls regardless of the status of production—out of which payrolls must come. In my opinion this major objective will not now be attained, if at all, so quickly and smoothly as it might have been if organized labor had been more willing to accommodate shortening hours and rising pay to a rational and practicable expansion of business. As it is, many manufacturing plants have been compelled to shut down because labor costs mounted so much more rapidly than price and volume of output that they were helpless. It is certain that labor has retarded the general advance by being too rapacious in its own demands.

*Acme Photo*

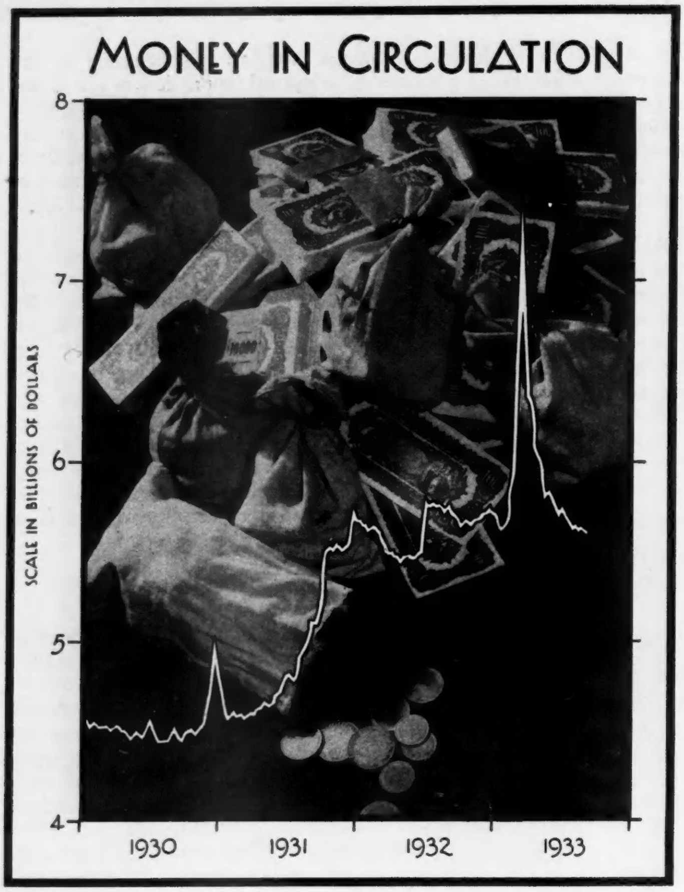
*Tear Gas Routs Rioters in New Jersey Dye Plant Strike*

### *Shorter Hours Not New*

May I point out that the benefits of industrial progress reflected in the shortening of working hours and increasing those of leisure is no new thing in the United States. A century ago the average work week was seventy-five hours; in 1840 it was sixty-eight hours; by 1900 it had been reduced to fifty-eight, and in 1929 was under forty-eight. During all this period wages were steadily increased. It is also of great interest, in view of the criticism of the mechanization of industry, that today more than half our workers are employed in industries which actually did not exist in 1900. I think it is only fair to say that industrial management may rightly claim a large share of the credit for today's luxurious standard of living—a standard beyond the dreams of even fifty years ago. It has a right to go further and say that at least as much has been accomplished for labor in America with but little labor organization as has been accomplished elsewhere with much organization. We have enjoyed a high degree of unity of industry and of a common purpose of labor and capital. American industry is generally in agreement that the way of prosperity is in the direction of the largest possible share of the national income for labor so long as it is equitable and properly balanced, together with a steady capitalization of efficiency into shorter hours of work and more leisure. With the slowing up of population growth, with no more new areas for settlement and exploitation of natural resources, together with the narrowing opportunities for foreign trade, the market for the products of industry be-

(*Please turn to page* 656)

# Things To




### *Money—Quantity and Velocity*

The other day a gentleman expressed the opinion that what this country needed was more money and that the deficiency might well be remedied simply and expediently by having a fleet of airplanes bespatter the countryside with nice, new, shiny notes. But, although this was recognized as the ravings of one financially crazed, there are not a few who believe that the country needs higher prices and, in order to obtain them, we shall have to have more money. This reasoning is the illegitimate offspring of the quantity theory of money, which holds that an increase in the money supply will raise prices, *other things being equal.* Other things are so seldom equal, however, that the theory expresses no more than a tendency which is frequently offset by other forces. We all know, for example, that business currently is much more active than in March and that the price level now is considerable higher. Yet, the country is getting along on some $2,000,000,000 less currency. Nor has this decrease in currency been offset by an increase in other money—money in the broadest sense—for the demand deposits in the banks have increased only some $1,000,000,000. The answer, of course, as pointed out by the Federal Reserve Board's bulletin for July, is that we are getting along on less money because we are using it more—30 per cent more according to the Board. From this it follows that "price" is the result of a fairly complicated equation. On the one hand there is the relationship between the quantity of money and its velocity of turnover, adjusted for all the human hopes and fears which bear on the money itself: on the other there is the supply and demand for goods and services in relation to the supply and demand for other goods and services, this also adjusted to human hopes and fears and further adjusted to the public's resistance to changing quotations. This is price, not the mere printing of a few greenbacks more or less, or the Federal Reserve's buying a few Government bonds more or less.

* * *

### *Again We Lend Abroad*

We are proposing to lend Russia a lot of money in order that she may purchase from us machines, copper and whatnot. What happened when we previously financed our foreign trade with foreign loans in the good old days before the present depression should be a fairly fresh memory—there are two or three billions of dollars in foreign obligations in default. And if this has been forgotten, what about the recent Reconstruction Finance Loan of $50,000,000 to the Chinese Government for the purpose of buying American cotton? It is now reported that the Chinese are selling this cotton to the Japanese, for cash—cheap. Suppose, as is not entirely outside the realm of possibility, that the Japanese employ their American cotton, not for cloth, but for explosives with which to blast the Chinese out of a few square miles of additional territory. Further suppose that the Chinese object to this and with the money received from Japan buy guns from Germany with which to resist the invasion, and that in the consequent fracas all that is left of $50,000,000 of American money is a few hundred rotting corpses. Have we financed anything from which our money can be paid back and has the world really gained anything?

* * *

### *Utility Dividends*

Peoples Gas, Light & Coke Co. generally conceded to be among the best and most conservatively capitalized utilities in the country, the other day broke a common dividend record going back to 1894. The New York & Richmond Gas Co. has deferred its preferred dividend. The Mohawk Hudson Power Corp. has passed the dividend on its 7% second preferred stock. There are other examples. In each case the official explanation has stressed the adverse effect upon earnings of greatly increased taxes and such uncontrollable expenses as have been brought about by compliance with the N R A code. Unfortunately for those who have depended upon the income from their utility investments, these dividend omissions appear to be omens of worse to come.

There is no better "goat" for state and municipal ex-

# Think About

travagance than the utilities at the present time. In the first place, the better companies, being fairly prosperous, can be taxed more. In the second place, it is good politics to force lower utility rates. Office holders can then point with pride to the savings they have made the public—savings which come out of some one else's pocket and which at the same time put up a smoke screen around their own unreduced governmental expenditures. Ideal!

The utilities, of course, are fighting back as best they can. In some cases it would seem that dividend action had been unnecessarily harsh, having as its object the arousal of investor opinion against excessive taxation and drastic reduction of rates. It is unfortunate that the investor is the unlucky implement of the utilities' defensive tactics, and it seems that he might with advantage renew his efforts to obtain governmental economy.

* * *

### *Lower Passenger Rates*

Evidence grows that the country's railroads will shortly launch a combined attack against the highway carrying of passengers. The means employed will be a sharp reduction in fares on a nationwide basis. Such Western roads as have tried reducing fares report a considerable increase in business. The Eastern roads which have up to now resisted the movement will almost certainly discover that it will have the same gratifying results in their case, although it is yet too early to hazard a guess as to how long it will be before the greater number of passengers offsets the smaller revenues per unit. The roads having the greatest interest in the outcome of any passenger rate reduction would include the New York, New Haven & Hartford, the Pennsylvania and the New York Central.

* * *

### *A Contrast*

Great Britain's latest conversion operation was entirely successful. Cash applications for the new $2\frac{1}{2}$ per cent issue amounted to £150,000,000, or 20 per cent more than that needed to put the deal over. This is but one instance of the recent successful flotation of securities in the London market. There have been many others. Yet, in our own country the business of issuing new securities is as dead as a door-nail. Even the United States Government has been hesitant about offering a long-term bond issue. Why is this? Britain is off gold. Britain's currency has depreciated externally more than ours. Nature has endowed us more lavishly than Britain. We are less burdened with debt and our taxes are lower—despite the current howl for reduction. Can it be that bonds can be sold in London and not here because it is thought that while the British Government may have to devalue the pound, it will make such devaluation as small as possible; whereas with us, it is feared that the devaluation will be as large as practicable?

* * *

### *Stocks—The Paper Dollar—Earnings*

| | Mar. 18 | Sept. 23 | % gain |
|---|---|---|---|
| Combined average | 28.2 | 58.3 | 107 |
| Rails | 21.5 | 43.7 | 103 |
| Utilities | 53.1 | 61.7 | 16 |
| Chemicals | 89.4 | 244.5 | 285 |
| Gold dollar | 100 | 154 | 54 |

Because certain well-known averages of forty or fifty of the better and more active stocks on the Board are now at a point which reflects no more than the dollar's depreciation in terms of gold, it is being contended (1) that current stock prices have not yet reflected the admittedly improved prospects and earnings, or (2) if they are reflecting the improved prospects and earnings, then they have not discounted the dollar's depreciation in terms of gold. This is quite a fascinating thought, for it gives the impression that stocks are still exceedingly cheap. Unfortunately, the premise is not all that it might be. Taking a broad cross-section of the entire stock market as reflected in the two hundred and eighty issues of THE MAGAZINE OF WALL STREET's combined average it will be seen that there has been a gain of 107 per cent between March 18 and September 23. The theoretical gain in gold dollars has been but 54 per cent, so that the rise in the stock market has not only offset the paper dollar's depreciation, but there has been a 50 per cent rise in consideration of betterment in earning power.

Moreover, while we have seemed to accept the principle that stocks must discount both the dollar's depreciation in terms of gold as well as increased earnings, even this fails to stand up under investigation. Using the words of the bridge experts, there is a "duplication of values" in the thesis. Suppose the impossible—a company whose earnings reflected accurately and immediately the gold value of the dollar. In this case, if the gold value of the dollar were cut to fifty cents, previous earnings of $10 a share would become $20 a share, and the stock instead of selling at $100 a share would sell at $200 a share. The price-times-earnings ratio remains the same and the theorists could amuse themselves debating whether the doubled price for the issue had discounted the lower gold content of the dollar, or whether it was the higher earnings which were being discounted. This does no harm so long as no one decides that it was either one of these factors which was responsible for the rise and that therefore a *further* rise is justified in order to give weight to the other. Obviously, such a stock has no right to sell at $400 a share on the evidence submitted.

So long as stocks are bought in paper dollars, it is current earnings and those in immediate prospect in those selfsame paper dollars that make prices. In such times as the one through which we are now passing perhaps it is permissible to pay a price somewhat higher than is justified by these historic considerations as insurance against further dollar depreciation. But there is something to think about in whether or not one's insurance premiums in the recent past have not been rather more than the risk was worth.

# The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Owing to the uncertainty which has grown out of the prospect of inflation, or at least a lowering of the dollar's purchasing power, bond purchases for investment can only be made with a full recognition of these factors. There is, of course, no suggestion here that the individual eliminate all high-grade issues from his portfolio, for they possess certain advantages, regardless of conditions, not found in other securities. Among the second-grade and more speculative bonds found in these tables some undoubtedly have large potentialities. Such bonds, however, must be selected on their merits and with due regard to one's own financial condition and the degree of risk that can be assumed.

Inquiries concerning bonds should be directed to our Personal Service Department.

## Railroads

| Company | Total funded debt (mil'ns) | Amount of this issue (mil'ns) | Fixed Charges times earned† 1931 | Fixed Charges times earned† 1932 | Price Call‡ | Price Recent | Yield to Maturity | COMMENT |
|---|---|---|---|---|---|---|---|---|
| **Atchison, Topeka & Santa Fe Ry.** | | | | | | | | |
| General 4s, 1995 | 310 | 152 | 2.8 | 1.6 | N C | 93 | 4.3 | High grade bond. |
| Adjustment 4s, 1995 | 310 | 51 | 2.8 | 1.6 | N C | 86 | 4.7 | Tho junior to Gen. 4s, is still strong. |
| Conv. Deb. 4½s, 1948 | 310 | 28 | 2.8 | 1.6 | 102 '38 | 96 | 4.9 | Not mtge. secured. Better grade. |
| California-Arizona 1st & Ref. 4½s, '62 | 310 | 33 | 2.8 | 1.6 | 110 | 92 | 5.0 | High grade. |
| Trans. Short Line 4s, 1958 | 310 | 23 | 2.8 | 1.6 | 110 | 94 | 4.4 | Underlies Gen. 4s. Highest grade. |
| **Baltimore & Ohio R. R.** | | | | | | | | |
| 1st 4s, 1948 | 623 | 157 | .8 | 1.0 | 105 | 90 | 5.0 | Great size of issue depressing influence, though outlook improved. |
| Ref. & Gen. "A" 5s, 1995 | 623 | 187 | .8 | 1.0 | 105 | 64 | 7.9 | unior to issue above. |
| Conv. 4½s, 1960 | 623 | 63 | .8 | 1.0 | 105 '36* | 55 | 9.0 | Junior to two issues above. |
| Southwestern Division 5s, 1950 | 625 | 45 | .8 | 1.0 | 105 '45* | 82 | 6.8 | Reasonably well secured. Further apprecia- |
| Pitts., L. E. & W. Va. Syst. Ref. 4s, 1941 | 625 | 53 | .8 | 1.0 | 100 | 80 | 7.3 | tion possible. |
| Toledo-Cin. Div. 1st & Ref. 4s, '59 | 625 | 23 | .8 | 1.0 | 102½ | 68 | 6.6 | Medium grade. |
| **Chicago, Rock Island & Pacific Ry.** | | | | | | | | |
| General 4s, 1988 | 314 | 99 | 1.0 | .3 | N C | 54 | .. | Reorganization in process. Int. in default, but this issue should ultimately emerge undisturbed. |
| Sec. "A" 4½s, 1952 | 314 | 40 | 1.0 | .3 | 102½* | 22 | .. | Secured by $45,000,000 1st & Ref. 4s. |
| 1st & Ref. 4s, 1934 | 314 | 208 | 1.0 | .3 | N C | 21 | .. | Some scaling down likely. |
| Convertible 4½s, 1960 | 314 | 32 | 1.0 | .3 | 105 '36* | 12 | .. | Junior to issue above. |
| **Chicago Union Station Co.** | | | | | | | | |
| 1st "A" 4½s, 1963 | 67 | 60 | .. | .. | 105 | 101 | 4.4 | Guarantors include the Burlington & St. Paul. Also secured by mortgage. |
| Guaranteed 5s, 1944 | 67 | 7 | .. | .. | 105* | 101 | 4.9 | Bears similar guarantee to issue above, but not mortgage secured. |
| **Missouri-Kansas-Texas R. R.** | | | | | | | | |
| Prior Lien "A" 5s, 1962 | 107 | 62 | 1.3 | 1.0 | 105 | 72 | 7.3 | Reasonably good bond. |
| Adjustment "A" 5s, 1967 | 107 | 14 | 1.3 | 1.0 | 100 | 40 | 12.8 | Junior to issue above. |
| M., K. & T. 1st 4s, 1990 | 107 | 39 | 1.3 | 1.0 | N C | 79 | 5.2 | Underlies issues above. Better grade bond. |
| **N. Y., N. H. & Hartford R. R.** | | | | | | | | |
| 1st & Ref. 4½s, 1967 | 258 | 58 | 1.6 | 1.0 | 105 '37* | 64 | 7.4 | Large debt equally secured. Medium grade. |
| Non-conv. Deb. 4s, 1955 | 258 | 50 | 1.6 | 1.0 | N C | 57 | 8.3 | Equally secured with 1st & Ref. bonds. |
| Secured 6s, 1940 | 258 | 18 | 1.6 | 1.0 | 105 | 82 | 9.6 | Secured pledge $23,000,000 1st & Ref. 6s. |
| Conv. Deb. 6s, 1948 | 258 | 39 | 1.6 | 1.0 | N C | 83 | 8.0 | Equally secured with 1st & Ref. bonds. |
| Deb. 4s, 1957 | 258 | 15 | 1.6 | 1.0 | N C | .. | .. | Unsecured by mtge. Semi-speculative. |
| Harlem Riv. & Port Chester 1st 4s, '54 | 258 | 15 | 1.6 | 1.0 | N C | 87 | 5.0 | Better grade investment bond. |
| Central New England 1st 4s, 1961 | 258 | 13 | 1.6 | 1.0 | 105 | 70 | 6.3 | Reasonably good issue. |
| New England R. R. Cons. 4s, 1945 | 258 | 18 | 1.6 | 1.0 | N C | 76 | 7.0 | Of good caliber. |
| **Guaranteed Issues** | | | | | | | | |
| N. Y., West. & Boston 1st 4½s, 1946 | .. | 22 | .. | .. | 110 | 47 | 13.1 | Would be speculative on its own merits. |
| **New York, Ontario & Western Rly.** | | | | | | | | |
| Ref. (now 1st) 4s, 1992 | 29 | 20 | 1.5 | 1.7 | N C | 59 | 6.9 | Though medium grade, possesses further possibilities. |
| Gen. 4s, 1955 | 29 | 9 | 1.5 | 1.7 | 110 | 60 | 7.8 | Junior to issue above. |
| **St. Paul Un. Depot 1st & Ref. "A" 5s, 1972** | 16 | 15 | . | .. | 110 '42* | 102 | 4.9 | Guarantors include No. Pacific, Gt. North'n, St. Paul and the Burlington. |

## Public Utilities

| Company | Total funded debt (mil'ns) | Amount of this issue (mil'ns) | Fixed Charges times earned† 1931 | Fixed Charges times earned† 1932 | Price Call‡ | Price Recent | Yield to Maturity | COMMENT |
|---|---|---|---|---|---|---|---|---|
| **American Telephone & Telegraph Co.** | | | | | | | | |
| Coll. Tr. 5s, 1946 | 447 | 67 | 6.4 | 6.8 | 105 | 106 | 4.4 | Of the highest grade. |
| Deb. 5s, 1965 | 447 | 380 | 6.4 | 6.8 | 110* | 104 | 4.8 | Strong bond, though unsecured by mortgage. |
| **Brooklyn Edison Gen. "A" 5s, 1949** | 67 | 56 | 6.2 | 4.8 | 105 | 105 | 4.6 | High caliber unaffected by agitation for lower rates. |
| **Columbia Gas & El. Deb. 5s, 1952** | 163 | 105 | 3.0 | 2.4 | 104* | 74 | 7.6 | Position had been improving, but natural gas taxation disquieting proposal. |
| **Columbus Ry., Power & Light Co.** | | | | | | | | |
| 1st & Ref. "A" 4½s, 1957 | 25 | 19 | 4.1 | 2.9 | 105* | 87 | 5.5 | Better grade bond. |
| Convertible 5½s, 1942 | 25 | 5 | 4.1 | 2.9 | 105* | 98 | 5.8 | Security equivalent to issue above. |

# Street's Bond Appraisals

## Public Utilities (Continued)

| Company | Total funded debt (mil'ns) | Amount of this issue (mil'ns) | Fixed Charges times earned† 1931 | 1932 | Price Call‡ | Recent | Yield to Maturity | COMMENT |
|---|---|---|---|---|---|---|---|---|
| Con. Gas of New York | | | | | | | | |
| Debenture 4½s, 1951 | 398 | 140 | 4.7 | 3.7 | 106* | 95 | 4.9 | Better grade even should lower rates be made effective. |
| Westchester Lighting 1st 5s, 1950 | 398 | 9 | 4.7 | 3.7 | N C | 105 | 4.6 | High grade. |
| N. Y. & Westchester Ltg. Gen. 4s, 2004 | 398 | 10 | 4.7 | 3.7 | 100 | 94 | 4.3 | Junior to issue above, but still strong. |
| Detroit Edison Gen. & Ref. (now 1st) "D" 4½s, 1961 | 134 | 134 | 2.9 | 2.1 | 105 '41* | 90 | 5.2 | Position improved this year. Better grade. |
| Duke-Price Power 1st "A" 6s, 1966 | 40 | 36 | 1.2 | 1.3 | 105¼* | 72 | 8.5 | Position somewhat obscure. |
| Idaho Power 1st 5s, 1947 | 13 | 13 | 2.9 | 2.4 | 105 | 97 | 5.3 | Good, sound issue. |
| Indianapolis Pwr. & Lt. 1st "A" 5s, 1957 | 38 | 38 | 2.5 | 2.0 | 104* | 83 | 6.4 | Good grade. |
| Kansas City Power & Light 1st 4½s, 1961 | 41 | 41 | 4.0 | 3.1 | 110 | 103 | 4.3 | High grade investment. |
| New York Edison | | | | | | | | |
| 1st Lien & Ref. "B" 5s, 1944 | 123 | 85 | 6.8 | 5.0 | 105* | 106 | 4.3 | High grade investment bond. |
| N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948 | 123 | 15 | 6.8 | 5.0 | N C | 109 | 4.2 | Assumed by New York Edison. |
| do P. M. 4s, 1949 | 123 | 21 | 6.8 | 5.0 | N C | 101 | 3.9 | Gilt edged. |
| N. Y. Power & Light 1st 4½s, 1967 | 67 | 67 | 2.3 | 2.1 | 105* | 84 | 5.5 | Good grade bond. |
| North American Deb. 5s, 1961 | 327 | 25 | 2.1 | 1.7 | 104½* | 68 | 7.8 | Among the better holding company obligations. |
| Oklahoma Gas & Electric Co. | | | | | | | | |
| 1st 5s, 1950 | 43 | 35 | 2.0 | 1.8 | 104* | 80 | 7.0 | Medium grade only. |
| Deb. "A" 6s, 1940 | 43 | 7 | 2.0 | 1.8 | 102½* | 71 | 12.3 | Jr. to issue above and prior liens thereto. |
| Public Service Co. of Northern Illinois | | | | | | | | |
| 1st & Ref. 5s, 1956 | 131 | 84 | .. | 1.7 | 110 | 75 | 7.3 | Greater part pledged under 1st Lien & Ref. bonds. Reasonably sound. |
| 1st Lien & Ref. "F" 4½s, 1981 | 131 | 100 | .. | 1.7 | 102½* | 63 | 7.3 | Jr. to issue above and prior liens thereto. |
| Southern California Gas Co. | | | | | | | | |
| 1st & Ref. (now 1st) "B" 5½s, 1952 | 27 | 12 | 2.9 | 2.7 | 102½ | 99 | 5.6 | Better grade. |
| 1st Mtge. & Ref. 4½s, 1961 | 27 | 21 | 2.9 | 2.7 | 105* | 82 | 5.8 | Ranks slightly below issue above. |
| Southwestern Bell Tel. 1st & Ref. 5s, 1954 | 51 | 49 | 5.8 | 5.0 | 105 '34* | 105 | 4.6 | High grade. |
| Utah Power & Light Co. | | | | | | | | |
| 1st 5s, 1944 | 42 | 37 | 1.8 | 1.6 | 105 | 61 | 11.3 | Of fair caliber only. |
| 1st & Gen. 4½s, 1944 | 42 | 6 | 1.8 | 1.6 | 102¼ | 61 | 10.6 | Equal amount of 1st 5s pledged hereunder. |
| Deb. "A" 6s, 2022 | 42 | 5 | 1.8 | 1.6 | 110* | 46 | 13.1 | Junior to two issues above. Semi-speculative. |
| Utah Lt. & Trac. 1st & Ref. "A" 5s, '44 | 14 | 12 | 1.0 | 1.0 | 105 | 54 | 13.0 | Guaranteed by Utah Power & Light. |

## Industrials

| Company | Total funded debt (mil'ns) | Amount of this issue (mil'ns) | 1931 | 1932 | Call‡ | Recent | Yield to Maturity | COMMENT |
|---|---|---|---|---|---|---|---|---|
| American Radiator Deb. 4½s, 1947 | 10 | 10 | 1.3 | def | 101½* | 100 | 4.5 | Company's business is still disappointing, but bond is a strong one. |
| Am. Smelting & Refining 1st "A" 5s, 1947 | 39 | 37 | 1.5 | def | 100 | 99 | 5.1 | Outlook improved. Good grade. |
| Com'l Investment Tr. Conv. Deb. 5½s, '49 | 20 | 20 | 4.5 | 4.2 | 110* | 102 | 5.3 | Good, sound bond. |
| Lehigh Coal & Navig. Cons. "A" 4½s, 1954 | 32 | 20 | .. | 1.6 | 105 | 91 | 5.2 | Good grade bond. |
| Penn-Dixie Cement 1st "A" 6s, 1941 | 10 | 10 | def | def | 103* | 61 | 14.3 | Still somewhat speculative, but prospects better. |
| Remington-Rand Deb. "A" 5½s, 1947 | 18 | 18 | defc | defc | 104* | 70 | 9.4 | cYears to 3.31. Still speculative, though co. strong financially. |
| Sinclair Consol. Oil (Now Consol. Oil) | | | | | | | | |
| 1st lien Coll. "A" 7s, 3.15.37 | 60 | 58 | def | 1.3 | 102* | 101 | 6.7 | Secured pledge subsidiary stocks. Sound issue. |
| Sinclair Pipe Line (Now Stanolind Pipe Line) 20-yr. 5s, 1942 | 12 | 12 | 5.1 | 5.2 | 103 | 103 | 4.6 | Better grade investment. |
| United States Steel Corp. | | | | | | | | |
| Illinois Steel Deb. 4½s, 1940 | 99 | 19 | defa | defa | 105 | 102 | 4.2 | a U. S. Steel's earnings, guarantor. All are high grade bonds. |
| C. L. S. & East. 1st 4½s, 1969 | 99 | 9 | defa | defa | 110 | 100 | 4.5 | |
| Frick (H. C.) Coke Pitts-Mon. P. M. 5s, 1933-44 | 99 | 7 | defa | defa | N C | .. | .. | |
| Not Guaranteed. | | | | | | | | |
| Elgin, Joliet & East. Rly 1st 5s, 1941 | 12 | 10 | def | def | N C | .. | .. | While late conditions have lowered caliber somewhat, is probably attractive now. |
| Tenn. C. & I. R. R. Gen. 5s, 1951 | .. | 11 | .. | .. | N C | 104 | 4.7 | Strong, well-secured bond. |

## Short-Term Issues

| Company | Due Date | Amount of this issue (mil'ns) | 1931 | 1932 | Call‡ | Recent | Yield to Maturity | COMMENT |
|---|---|---|---|---|---|---|---|---|
| Atlantic Refining Deb. 5s | 7.1.37 | 14 | 1.6 | 5.9 | N C | 104 | 3.9 | Good grade investment. |
| Buffalo Gen. El. 1st Ref. 5s | 4.1.39 | 7 | 3.5 | 2.6 | 105 | 104 | 4.2 | High grade bond. |
| Chicago Gas, Light & Coke 1st 5s | 7.1.37 | 10 | 2.9 | .. | N C | 101 | 4.7 | High grade investment. |
| Gulf Oil Deb. 5s | 12.1.37 | 28 | def | 1.4 | 103½ | 101 | 4.7 | "Medium to high" grade issue. |
| Humble Oil & Refining Deb. 5s | 4.1.37 | 20 | 2.1 | 9.1 | 102 | 103 | 4.1 | Wide margin earned last year over interest requirements. High grade. |
| New York Telephone 1st & Gen. 4½s | 11.1.39 | 61 | 4.7 | 3.7 | 110 | 104 | 3.7 | Gilt-edged. |
| Pacific Tel. & Tel. 1st & Col. 5s | 1.2.37 | 27 | 4.5 | 4.1 | 110 | 106 | 3.5 | Of the highest grade. |
| Virginia Rail. & Pr. 1st & Ref. (now 1st) 5s | 7.1.34 | 11 | 3.1 | .. | 105 | 101 | 4.0 | Strong issue. |

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices.

# Sound Stocks for Income and Long Range Profit

### Five Industrial Issues Distinguished by —
### Consistent Earning Power
### Financial Strength
### Excellent Management
### Strong Trade Position

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

## National Lead Co.

OLD-ESTABLISHED, strong financially and with an unexcelled trade position, even the National Lead Co. has passed through an exceedingly trying time during the past few years. Because of the great curtailment in construction—whether new building or repairs—the demand for white lead and other pigments and paint materials, solder, lead pipe and various lead and other oxides was drastically reduced. Likewise the demand for printers' metals was reduced by the difficulties experienced by the publishing business and the slump in advertising; while the lack of activity in the production of machinery of all kinds curtailed the need for babbitt and other bearing metals.

Entering the present year, National Lead's row became harder than ever to hoe, the first four months resulting in an actual loss. In the middle of April, however, the company's business began to improve and for the half year it suceeded in earning a net profit of $1,698,352 after taxes, depreciation, depletion and other charges. This, after dividends on the company's "A" and "B" preferred stocks, was equivalent to $2.82 a common share. The semi-annual report was the first made in National Lead's long history and was issued at the request of the Stock Exchange.

The half year's earnings left a small margin over common dividend requirements which are at the rate of $5 a share annually, and which, incidentally, is the same regular common dividend paid in 1929 when business was immeasurably better than it is

**National Lead**

| Price | Div. | Yield |
|---|---|---|
| $125 | $5 | 4.0% |

Working Capital 6.30.33...... $27,283,481

Earnings Per Share

| | |
|---|---|
| 1930 | $7.56 |
| 1931 | 5.48 |
| 1932 | 3.15 |
| 1933 (Est.) | 6.50 |

now. National Lead owns substantial quantities of its own stock, both common and preferred, and prior to the semi-annual report for this year was accustomed to include in "other income" the dividends on this stock. Earnings for 1932 by the old method were equivalent to $3.15 a common share and by the new method work out at $2.82 a share—in either case an amount considerably under the requirements for a $5 dividend.

In addition to its own stock, National Lead has substantial sums in United States Government and other bonds, and owns also an interest in Patino Mines and the American Smelting & Refining Co. A very substantial appreciation has, of course, taken place in these holdings since the beginning of the year. Stocks of metal on hand are large and have also risen substantially in value since the early part of the year. The company, however, employs a "normal stock" inventory system, so that unrealized losses and unrealized gains in inventory value are not taken into earnings. The income accounts reflect only the profits on actual metal sold. Finally, in addition to the customary assets of plant, notes and accounts receivable and cash, National Lead has substantial foreign investments. The report for the first half of this year stated that all of these foreign investments were satisfactory.

Capitalization of the National Lead Co. consists of 243,676 shares of 7% cumulative "A" preferred stock of $100 par value, 103,277 shares of 6% cumulative "B" preferred stock of $100 par value, and 309,831 shares of common stock, also without par value. There is no funded debt and the $1,175,000 of Notes Payable shown in the balance sheet as of June 30, 1933, merely represent a seasonal feature of the company's business and undoubtedly will be liquidated this fall.

While the stock of the National Lead Co. around current levels of $125 a share is certainly not cheap in relation to present earning power, the price appears to be much less excessive when due weight has been given to the other factors which influence the worth of a common stock. The company is an ably and conservatively managed concern whose business falls into the category of "essential." Sooner or later—probably sooner—it will regain a measure of its old earning power, which in 1929 reached a peak of more than $25 a common share. For those willing to take the risk of large intermediate fluctuations in market price the common stock of National Lead should in the long run prove to have been a happy selection.

# Allied Chemical & Dye Corp.

BECAUSE the Allied Chemical & Dye Corp. has yet to issue interim reports, there are no definite figures available for this year's operations. Undoubtedly, however, as the country's leading manufacturer of heavy chemicals and as the maker of road building materials, roofing and dyes, the company's business has fully reflected the general improvement which has taken place since spring. Moreover, the rise which has taken place in the security markets has put the company's immense holdings of government and marketable securities in a much better position than at the first of the year.

Much public attention and interest was recently attracted to Allied Chemical by the controversy which raged between the company and the New York Stock Exchange. The Exchange objected to the form in which Allied published its annual statement and threatened to strike the stock from the list if it were not altered. When an important group of stockholders took the side of the Exchange, Allied's management capitulated and future reports will be less obscure.

**Allied Chemical**

| Price | Div. | Yield |
|---|---|---|
| $138 | $6 | 4.4% |

Working Capital 12.31.32..... $142,625,156*

| Earnings Per Share | |
|---|---|
| 1930 | $9.31 |
| 1931 | 6.74 |
| 1932 | 3.62 |

*On basis securities at cost. If taken at market would have been about $28,000,000 less. Since, this has been largely made up by appreciation in the securities.

Nevertheless, despite the fact that those on the side of more information to stockholders won this particular battle, the necessity of having the fight at all served to focus attention on the company's general policy of secretiveness. There is still to be but one report a year and there is still a marked lack of interim information such as is given by so many other companies. This uncertainty and doubt, there is reason to believe, is now having an adverse effect on the action of the stock marketwise—which is in marked contrast with the 1928/1929 attitude when mystery could be calculated to add 50% to the market price of any stock. On the other hand, the very fact that the stock *is* being depressed in price by lack of information is advantageous to long-term investors who might wish to purchase it at the present time.

Such prospective purchasers might note that although the management of Allied Chemical has justly been accused of secrecy, it has never been accused of a lack of ability, neither has it ever been shown that the company has been run other than in the interests of stockholders. And, of course, it is better to have an interest in a well-managed company and lack details, than it is to be a stockholder in a mismanaged organization and know all about it.

Allied Chemical's vast and diverse business is inextricably interwoven with the business of the whole country and any prosperity which the United States may enjoy will be fully reflected in this company. At $135 a share the stock may not seem cheap, but if we succeed in climbing but part way to "normalcy" it is not difficult to imagine it selling at much higher levels.

# George W. Helme Co.

SURPRISINGLY few people realize that the manufacture of snuff is still a thriving industry in this country. Although the output of snuff in recent years has shown a tendency to remain more or less static it is sufficient to permit three large companies, with aggregate assets of more than 72 million dollars, to maintain a profitable business. George W. Helme Co. is one of these organizations.

Like so many other companies identified with the manufacture of tobacco products, George W. Helme Co. dates its existence from the dissolution of the old American Tobacco Co., in 1911. The record of the company since that time has been one of which any commercial enterprise might well be proud. Dividends have been disbursed in generous amounts without interruption in each year since its organization. With only a single exception, in each year since 1913 common shareholders have received extra dividends. Dividends on the common stock are currently being disbursed at the rate of $1.25 quarterly, and since 1929 it has been the policy to pay an extra of $2 each January.

George W. Helme Co. accounts for approximately one-third of the total snuff produced in the United States. Two factories are owned, one of which is the largest in the world devoted to the manufacture of snuff. These are augmented by warehouses and tobacco rehandling plants.

**Geo. W. Helme**

| Price | Div. | Yield |
|---|---|---|
| $102 | $7 incl. extras | 6.9% |

Working Capital............ $11,414,204

| Earnings Per Share | |
|---|---|
| 1930 | $8.55 |
| 1931 | 7.78 |
| 1932 | 7.24 |
| 1933 (Est.) | 7.00 |

A graphic presentation of the annual earnings of this company over an extended period of years would disclose almost imperceptible fluctuations. Since 1923, when the shares were split four-for-one, the figures of $8.55 per share in 1930 and $7.24 in 1932 represent the extremes of variation. It is probable that the latter figure may be somewhat lower this year—but not much. This remarkable stability of earning power, coupled with a characteristically strong financial position, accounts for the liberality of the company's dividend policy.

These are 40,000 shares of 7% preferred stock outstanding, and this constitutes the only claim on profits ahead of the common shares, which number 240,000. At the end of the 1932 current assets amounted to $12,300,000, while current liabilities were less than $900,000. Cash and marketable securities exceeded $7,000,000. Working capital was equal to more than $30 a share for the common after deducting the preferred at par.

Conceding that earnings this year may fall somewhat under $7.24, the amount earned for the common in 1932, nevertheless, it would appear that the regular $2 extra dividend, due next January, is not in any serious danger. Even should it be necessary to make the full extra payment out of surplus, it would require less than $500,000, which the treasury could stand without difficulty. This contingency, however,

does not seem likely to materialize.

Although the shares can hardly be said to have dynamic possibilities for enhancement in value, this is offset by their stable earning power and liberal yield—factors which certainly carry weight at this time. Although not an active issue the 1933 price range has been 69½, low and 102½, high.

# Endicott Johnson Corp.

ENDICOTT JOHNSON CORP. is a completely integrated unit in the boot and shoe industry and is rated as the second largest manufacturer. Output is made up of a wide variety of styles in men's, women's and children's footwear and distribution is accomplished through the medium of a company-owned retail chain and more than fifty thousand independent retailers. Although the company's venture into the manufacture of rubber soled canvas shoes was made less than ten years ago, this branch now accounts roughly for one-quarter of the total annual capacity, estimated at 39,000,000 pairs. Production of rubber soles is the largest in the country and Endicott Johnson is second only to the Goodyear Tire & Rubber Co., in the output of rubber heels. For years the company has been identified prominently with employee welfare and its success is attested by the freedom which it enjoys from labor difficulties.

The shoe Industry has not been one of the acute sufferers from the depression, although accomplishments on the part of individual companies identified with the industry have varied considerably. There is, of course, a limit to the public need for shoes beyond which any material increase is unlikely and this leads further to the conclusion that the effects of general business improvement upon the shoe industry may not be as pronounced as in the case of those industries which felt the greater weight of depression. There is, however, room for considerable betterment in the earnings position of selected companies.

**Endicott Johnson Corp.**

| Price | Div. | Yield |
|---|---|---|
| $52 | $3 | 5.8% |

| | |
|---|---|
| Working Capital | $20,868,545 |
| **Earnings Per Share** | |
| 1930 | $0.14 |
| 1931 | 4.84 |
| 1932 | 1.80 |
| 1933 (Est.) | 4.00 |

Engaging not only in the manufacture and sale of shoes but producing practically all of its upper and sole leathers, Endicott Johnson must cope with the inventory problems involving its raw materials. That these have at times been vexing is indicated by the rather wide fluctuations in earnings from year to year. If, as is generally believed, the low point in commodity prices has been seen it seems reasonable to assume the earnings of Endicott Johnson from this point on will have a closer relationship with its position as a leading manufacturer.

An issue of preferred stock ranks ahead of the 405,360 shares of common stock. The company has been steadily retiring the senior stock and at present there are only 58,450 shares outstanding. Dividends on the common are being paid at the annual rate of $3, this rate having been placed in effect in 1931, a reduction from $5 paid since 1921. Finances of the company have been maintained in excellent shape, the balance sheet as of June 3, 1933, showing a ratio of current assets to current liabilities of nearly 10 to 1 and working capital of nearly $21,000,000.

Operations of Endicott Johnson improved rapidly in the last half of 1932 with the result that the loss suffered in the first six months was turned into a profit. The common stock earned $1.80 a share. Output in 1932 was the largest in the company's history. In the first six months of the current fiscal year profits rose to $1.59 a share for the common stock. At the close of the 1932 fiscal period, the company had inventories of nearly $10,000,000, at cost, and the value of this inventory at the present time is much higher.

The yield of nearly 6% which the shares return at this time appears to be sufficiently assured both by current and potential earnings to warrant the choice of the shares where the objectives are income and appreciation.

# Humble Oil & Refining Co.

THE N R A code of the oil industry, which became effective September 2, placed in the hands of the industry the most potent measure yet devised for mitigating the internal evils resulting from excessive output in its various branches. This development affords a sound basis for regarding the outlook for representative oil companies with greater optimism than has heretofore been possible. The recent advance in the price of East Texas crude to $1 a barrel, comparing with prices as low as 10 cents a barrel early in the summer, offers an indication of the salutary effect which this development is likely to have upon earnings of oil companies.

As one of the largest producers of crude oil in this country, Humble Oil & Refining Co., is vitally concerned with any soundly conceived plan which has for its aim the ridding of the oil industry of the chaotic conditions which have been its lot for some time past. The activities of Humble also include the purchase of large quantities of crude and the operation of an extensive pipe-line system. It naturally follows, therefore, that the company would be an important beneficiary of effectual stabilization. The East Texas fields, in which Humble controls vast producing acreage, are faced with a sharp reduction in output in conformance with the code, but so far as the earnings are involved this should be fully offset by the resulting higher prices.

**Humble Oil & Ref.**

| Price | Div. | Yield |
|---|---|---|
| $83 | $2.00 | 2.4% |

| | |
|---|---|
| Working Capital | $45,123,590 |
| **Earnings Per Share** | |
| 1930 | $6.08 |
| 1931 | .93 |
| 1932 | 5.01 |
| 1933 (Est.) | 3.00 |

Control of Humble Oil is vested with the Standard Oil Co. of New Jersey through ownership of about

(*Please turn to page* 650)

E. I. duPONT de NEMOURS & CO. — HERCULES POWDER CO.

# As a Hedge Against Inflation

## Two Leading Stocks of the Chemical Industry Offer Safety and Promise of Broad Future Progress

By J. C. Clifford

SAFE Hedges Against Inflation—a choice of common stocks to meet this unequivocal qualification must of necessity involve broader considerations than would normally be the case. Public utility and railroad stocks must be rejected for obvious reasons, already stressed in this publication. In the industrial group one is offered such a wide range of issues that a proper selection may prove confusing. Without burdening the reader with the pros and cons of numerous industries, investigation leads to the conclusion that the chemical industry is one of the best for the purposes with which this discussion is concerned. Basically indispensable, a brilliant record of growth and earnings, a promising future and a large inventory turnover. These are the main qualifications of the chemical industry.

The two companies—E. I. duPont de Nemours and Hercules Powder—selected for this discussion typify the chemical industry in every respect. The former is the largest domestic chemical manufacturer and the latter, although a much smaller organization, has a sound record of industrial achievements to its credit. The shares of Hercules Powder are available in the medium price group and those of duPont have had a recent range of 70-80.

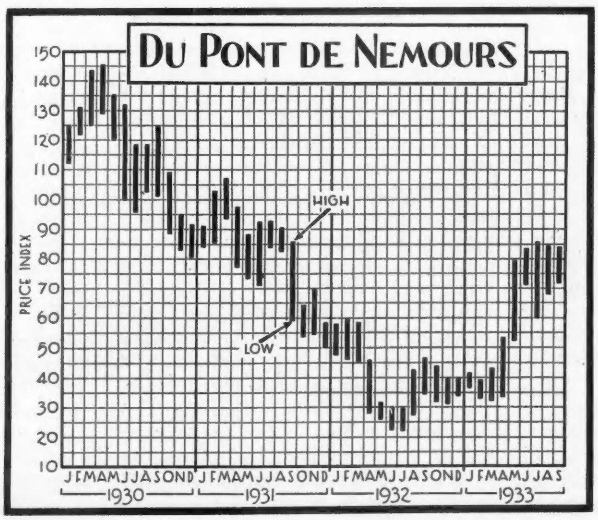
Both duPont and Hercules Powder are, of course, properly classified as chemical manufacturers but they both engage in extra-chemical activities. The latter have made important contributions to the earnings of both companies, particularly du Pont, but, in the final analysis, it is in the field of chemical manufacture that they have made their mark and from which they draw their greatest hopes for the future.

*No Saturation Point*

The basic importance of the chemical industry doubtless is well fixed in the minds of everyone. A prepared list of the products for which chemicals are essential would be a virtual itemization of every product familiar to our daily existence—food, clothing, shoes, homes and buildings, newspapers and transportation; in fact it would be rather difficult to find a single product in which chemicals in one form or another are not vital. With demand emanating from practically every conceivable source, the industry has yet another salient feature. The possibilities for future growth and expansion are practically limitless. It may be said without fear of contradiction that the chemical industry is one of a small exclusive group of industries which has not given tangible evidence of having reached a point of saturation. For example, it is hard to visualize a demand for automobiles, homes, radios, machinery, coal and oil, much in excess of the peak made several years ago, for some time to come. The fact that these industries are heavy users of chemicals does not alter the case. The chemical industry's ace in the hole is the intensive research which is continuously being conducted. New uses and new products are the rule rather than the exception. Take "Cellophane," which is cited because it is well known. Developed as a chemical by-product by du Pont several years ago, "Cellophane" has since become synonymous with freshness and purity—and all manner of products ranging from wearing apparel to huckleberries now come wrapped in "Cellophane." Many other similar cases could be mentioned.

Due to the abundance of natural resources, domestic chemical companies are favorably situated, and in the aggregate account for one-half of the world's supply. Our own markets consume all but 10% of the domestic output. An examination of price trends in the chemical industry over an extended period of years discloses that the prices of the leading products are decidedly more stable than those of the majority of commodities.

Therefore, given the benefit of many and diversified markets and a relatively stable price structure, the record of the industry, particularly last year at the depths of the depression, has been very satisfactory. Taking fourteen leading chemical companies, whose shares are listed on the N. Y. Stock Exchange, all of them were able to operate at a profit last year and twelve companies are paying dividends to



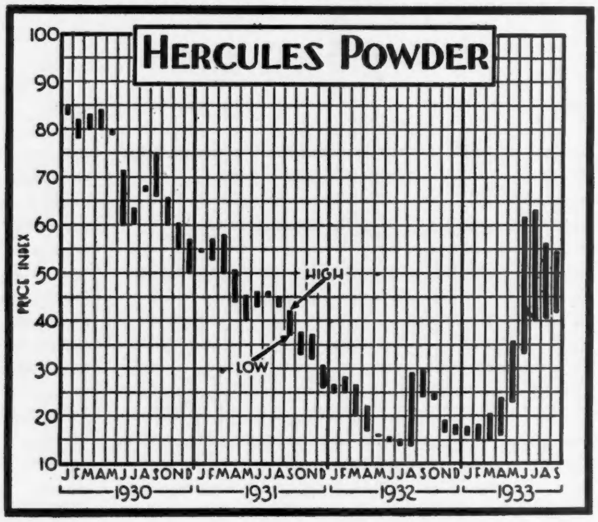
common shareholders. While earnings declined, last year this tendency was alleviated by reduced costs and improved manufacturing efficiency.

It is to be doubted that the founders of E. I. duPont de Nemours & Co., and Hercules Powder Co., foresaw the broad expansion in activities for which these companies were destined. It is quite evident, however, that the men entrusted with the management suffered no lack of vision. DuPont today is the largest chemical company in the United States from the standpoint of capital investment and earning power. **Hercules** Powder, although a much smaller company, is one of the foremost organizations in its field and its progress has been consistent and well conceived.

DuPont dates its history from 1802. In 1911, however, the original company was dismembered under the Sherman Anti-Trust Act. In 1912 the Hercules Powder Co. was formed to acquire certain properties formerly held by duPont. The du Pont interests still retain about 29,000 shares of non-voting common stock of Hercules. The dissolution of duPont proved to be no serious setback—quite the contrary; in fact, it marked the beginning of the most prosperous era in the company's history. Utilizing the materials required in the manufacture of explosives, as a basis, duPont has steadily enlarged its scope until it is now an important factor in nearly every branch of the chemical industry.

The magnitude of the company's scope precludes all but a brief summary of the many products moving from its plants. They include explosives, dyestuffs, paints and lacquers, plastics, rayon; a wide range of organic and inorganic chemicals; numerous synthetic products such as ammonia and camphor; photographic film, rubber-coated fabrics and "Cellophane." Earlier this year the company acquired control of Remington Arms Co. DuPont numbers among its customers practically every industry of importance in the country and is not dependent upon any single industry to a greater extent than 20% of total output. Furthermore, a large number of products are sold directly to the public. Diversity of output and freedom from dependence upon any particular industry have had a salutary effect upon earnings through the tendency to level off the peaks and valleys, from one year to another.

Responsible in no small measure for the company's dominance and growth has been a research department second to none in domestic industry. Huge sums have been spent for research which has produced such familiar products as "Duco," "Cellophane," "Fabrikoid," "Pyralin" and tetra-ethyl lead. One of the most recent introductions is "Duprene," or synthetic rubber. The management is encouraged by the initial commercial demand for this new product and is reported as being sanguine over its possibilities. Other new products are in the process of being developed for manufacture. Supplementing the research department is a large engineering staff which directs its talents toward improving manufacturing operations and existing processes.




*Hercules Diversification*

Like duPont, Hercules Powder Co. is primarily a manufacturer of explosives. Similarly, the company's scope has encompassed an increasing number of products—offspring of raw materials and by-products utilized in making explosives. Thus, in addition to producing all types of explosives, blasting supplies and sports powders, the company's products embrace nitrocellulose, cellulose, heavy chemicals and naval stores (rosin and turpentine). Carrying the similarity further, Hercules also serves an extensive group of industries, conducts a sizeable foreign business, and supports an alert research organization. While Hercules Powder obviously cannot match duPont either in point of size or in the diversity and number of products, it is by no means overshadowed. Hercules has the distinction of being the world's largest manufacturer of nitrocellulose, chemical cotton and steam-distilled naval stores. It is the second largest domestic producer of explosives. DuPont is the largest.

Neither duPont nor Hercules has any funded debt or bank loans. Dividends on the preferred shares and debenture stock, as it is called in the case of duPont, normally require only a relatively small portion of earnings. Hence, the common shares in both instances have a strong equity position. The dividend record of both companies speaks for itself. Hercules Powder has made continuous payments since its inception and duPont likewise since it was incorporated in its present form. In the more prosperous years regular dividends were augmented by substantial extras. Current disbursements are at the rate of $2 for du Pont and $1.50 for Hercules Powder.

In reviewing the earnings record of these two companies, duPont's large investment in General Motors common stock must be made the subject of special comment. At the end of the World War, duPont found itself with a large surplus of working capital and the necessity of employing it to best advantage led to a substantial investment in General Motors, a sagacious and foresighted decision. This investment yielded enormous dividends and in recent years particularly has provided a timely backlog of income. At the end of 1932, duPont owned 10,000,000 shares of General Motors common, carried on the books as a permanent investment with a book value of $16.90 a share. There are 281,220 additional shares carried in a separate account. This ownership of General Motors common stock is equal to 9/10ths of a share for each share of duPont common outstanding. In effect, therefore, the holder of duPont common is also afforded an equity in General Motors.

In 1932 duPont earned $26,234,778 or the equivalent of $1.82 a common share after dividends on the debenture stock. Of this amount dividends received from General Motors contributed $1.15 a share. In 1931 earnings were $4.29, including $2.72 in General Motors dividends. In the first six months of the current year General Motors contributed 46 cents to earnings of $1.03 as compared with 69

*(Please turn to page 650)*

# Dividends Consistently Maintained

## Stable Revenues from Glass Containers Promise Continuance of Satisfactory Earnings

By Edwin A. Barnes

THE glass industry during recent months has attracted a larger share of public interest, judging by the marked increase in the market activity of the shares of representative companies. On consideration, this development would appear to have been the direct result of events destined to have a favorable effect upon certain phases of the industry. Undoubtedly, the most outstanding of these events was the creation of a vast new market for glass bottles through the legalization of beer. That the market for bottles of every description will be substantially enlarged in the near future is a foregone conclusion in view of the imminent demise of the Eighteenth Amendment. Attention also has been drawn to the plate glass division of the industry, which has been an important beneficiary of the remarkable upturn experienced by the automobile industry this year. The use of safety glass in automobiles has been made compulsory in several states and competition among automobile manufacturers has stimulated the use of this type of glass as standard equipment.

With the listing of the shares of the Hazel-Atlas Glass Co. on the New York Stock Exchange several months ago considerable light was thrown on another branch of the glass industry—the manufacture of glass containers for commercial and household purposes. Judging by the record of this company definite elements of strength, productive of sustained profits, attach to this particular phase of the industry, thereby distinguishing it from the more variable components. These elements are the familiar ones which have spelled success for many another business—diversity of markets and managerial aggressiveness.

Although the shares of Hazel-Atlas Glass are newcomers on the Stock Exchange, the company itself has been in existence for some years and its products are generally well-known, if not actually identified as such. The Mason jar, used for home canning, is familiar to most housewives, as doubtless are such products as Vaseline, Phillips' Milk of Magnesia and Vapo-Rub, to name only a few of the better known, which are sold in glass containers manufactured by Hazel-Atlas. The company's complete line of glass containers may be segregated into five main groups as follows: Containers (one) for food products such as jam, pickles, olives, mustard and mayonnaise; Containers (two) for medicinal products and cosmetics; Containers (three) for general utility purposes such as ammonia, ink, glue, shoe polish, fruit juice, snuff, etc.; Pressed ware (four) such as tumblers, jellies, beer mugs, dishes, bowls, refrigerator sets, etc.; and (five) domestic fruit jars—Mason and Atlas E-Z Seal. Suitable closures for such of these products as require them are also produced. From the foregoing it will be seen that a wide field is covered.

Eleven plants located in various sections of the country provide Hazel-Atlas with its necessary glass manufacturing facilities. A plant devoted to the manufacture of zinc, aluminum and tin closures is operated at Wheeling, W. Va. The company is also well provided with sources of raw materials by sand properties located in West Virginia and Oklahoma. Sales offices are conducted in all the principal cities of the United States.

Formed in 1901 as the Atlas Glass & Metal Co., the name was changed to the present one in the following year. In the intervening years the company conducted an orderly program of expansion which has brought it to a position in the industry second only to the Owens-Illinois Glass Co. The production of glass, responding to the increase in the company's scope, has been steadily upward to and including 1931, which year outstripped all previous ones. Last year, at the depths of the depression, output totalled approximately 379 million pounds as compared with the record figure of 460 million pounds for the previous year.

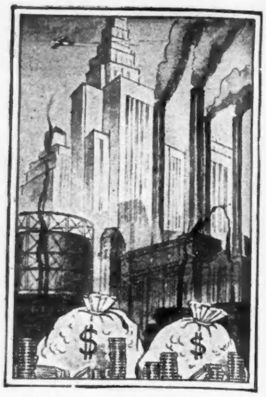
Earnings, however, did not suffer anything resembling a serious decline last year and on a per-share basis offered very satisfactory comparison with the showing made in

*(Please turn to page 651)*

### Dividend Record of Hazel-Atlas Glass Co.

| | | | | | |
|---|---|---|---|---|---|
| $100 Par Stock | | 1913 | 8.00 Cash | $25 Par Stock | |
| 1901 | $3.00 Cash | | 20% Stock | 1923 | $2.00 |
| | 5% Stock | 1914 | 8.00 Cash | 1924 | 2.00 |
| 1902 | None | | 10% Stock | 1925 | 2.00 |
| 1903 | None | 1915 | 8.00 Cash | 1926 | 2.00 |
| 1904 | None | | 25% Stock | 1927 | 2.12½ |
| 1905 | None | 1916 | 8.00 Cash | 1928 | 2.50 |
| 1906 | 3.00 Cash | 1917 | 8.00 Cash | 1929 | 3.00 |
| 1907 | None | | 15% Stock | 1930 | 3.00 |
| 1908 | 4.00 Cash | 1918 | 8.00 Cash | | 10% Stock |
| 1909 | 8.00 Cash | | 25% Stock | 1931 | 3.75 |
| | 20% Stock | 1919 | 8.00 Cash | 1932 | 4.00 |
| 1910 | 8.00 Cash | 1920 | 8.00 Cash | 1933 | 4.00 |
| 1911 | 8.00 Cash | 1921 | 6.00 Cash | | |
| | 15% Stock | | 20% Stock | | |
| 1912 | 9.00 Cash | 1922 | 10.00 Cash | | |

# For Profit and Income



### *General Foods*

It was officially stated the other day that General Foods' net profit for the first nine months of this year should "be within range" of the $1.97 cents a common share shown in the corresponding previous period; moreover, that business expected for the fourth quarter of this year should be sufficiently better than that shown in the fourth quarter of 1932 as to bring the full year's earnings above last. Last year, the company earned very little in the fourth quarter and the full year's earnings turned out the same as for the nine months, namely, $1.97 a share. Should the last quarter of 1933 be about as good as the second quarter when 59 cents a common share was shown, a conservative estimate of the full year's earnings would be $2.30 a share. The company is currently paying dividends at the rate of $1.80 a share and in view of its known liberality to stockholders it is not unlikely that this rate be raised, or that there be an extra at least.

* * *

### *Stimulating Rail Purchasing*

Calculating the railroads of the country require at least 700,000 tons of steel rails, the Government is proposing to lend them, at a low interest rate, the money with which to buy. This, in an effort to increase activity in capital goods industries which now lag. There are only six rail mills in the country, operated by four companies, United States Steel, Bethlehem Steel, Inland Steel and Colorado Fuel & Iron. National Steel, having the necessary facilities, might possibly enter the business, although there have been no actual indications of its doing so as yet. It it proposed to extend this scheme for the stimulation of railroad buying to other equipment, locomotives and cars, for it is contended that the most modern facilities are so efficient that economies might well cover interest charges. Yet, despite all the theoretically sound arguments which are advanced in favor of extensive buying on the part of the railroads, many roads are loathe to borrow any more money from the Government. They already owe a great deal, of course, and some fear has been expressed that the more they commit themselves, the wider becomes the wedge of government ownership. Nevertheless, it seems likely that the railroad equipment companies will enjoy at least a measure of prosperity in the not very distant future.

* * *

### *Retail Trade*

Although no official figures are available, there are numerous indications of a lull in retail trade recently, allowing for seasonal variation. Dollar volume generally throughout the country is reported as slightly above that of a year ago, but when recognition is given to the fact that prices are at least 20% above last year's, it is clear that there has been quite a falling off in unit sales. On the other hand, consideration must be given to the abnormal activity during the summer months this year and that at this time last year there was quite a little bulge, so that comparisons are now being made with a higher base. Controversy and confusion still surround the pending retail code and this in itself has undoubtedly contributed to the current lull. Both the public and retailers are somewhat skeptical of the "Buy Now" campaign, but, in any event, news of retail trade for the next few weeks will be well worth watching for its bearing on the general business situation.

* * *

### *Presto!*

. . . . and the virtuous maker of soft drinks will become a purveyor of the stronger stuff. Of course, Canada Dry ginger ale has been associated for some time in the mind of the public with exuberantly intoxicating highballs. But the company itself disclaimed responsibility for what was done with its product after it left the warehouses. Now, however, it is going into the business directly, hook, line and sinker. Under exclusive trade names, Canada Dry Ginger Ale proposes to distribute whiskey and gin derived from the Penn-Maryland Co., recently formed and jointly-owned subsidiary of National Distillers and U. S. Industrial Alcohol. It is negotiating with Distillers, Ltd., of Scotland for the distribution of other exclusive brands. It has signed contracts with both domestic and foreign vintners. It is already interested in beer and hopes soon to produce its own brand. Whether all this will be a success financially is, of course, problematical—there are going to be a good many liquor stocks by the time the Eighteenth Amendment is repealed, near as it is.

* * *

### *Low-Priced Stock Margins*

Brokers are now permitted to carry on margin stocks selling for less than $5 a share when such stocks are accepted by banks in loans. Two interpretations of this ruling have been made by various brokers. The most liberal is that the broker will carry on margin anything on which he can borrow from the bank; the other, that while no stocks selling at less than $5 a share will be bought on margin, stocks for which more than $5 a share was paid will continue to be carried on margin though their price decline below $5 a share. While the majority of small traders undoubtedly will receive this news with satisfaction because they now can buy more shares of the low-priced issues, it is doubtful whether they have gained anything of real importance by the new development.

(*Please turn to page 653*)

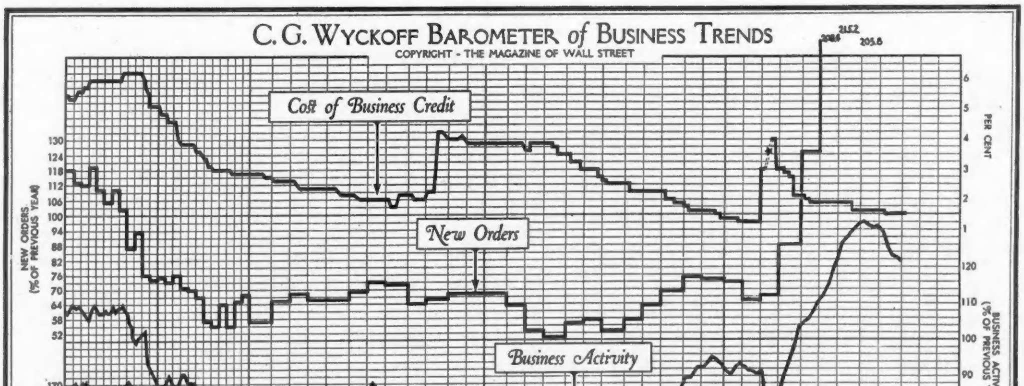
# Taking the Pulse of Business

***—Recession from Peak Notable***
***—Heavy Industries Lag***
***—Labor Troubles Persist***
***—Oil Prospects Brighten***
***—Copper's Position Improves***

UNSEASONABLE weather, interference with the production and delivery of goods caused by labor disputes, uncertainty over the currency, and the inevitable let down which always follows such speculative excesses as preceded adoption of the codes, seem to be jointly accountable for the continued recession in our Business Activity index; which indicates that the physical volume of production, distribution and trade is now only 22% better than last year—having sagged to around 71.5% of normal, from the year's peak of 77%. On the other hand, New Orders booked by the country's principal manufacturing industries, during the latest month just entered upon our graph, discloses a much smaller shrinkage than earlier unofficial reports had indicated. A considerable number of plants booked more business in August than in July, and it was due mainly to an extremely abrupt slump in textiles, where efforts to beat the codes and processing taxes had been unusually strenuous, that the index recorded any drop at all. This failure of our New Orders graph to reflect a sharper falling off in bookings may be accounted for by the inclusion of reports from additional producers in this year's totals, owing to the enlargement of trade association memberships under the codes.

With all due allowance, however, for the possibility that the graph may not fully reflect the drop in New Orders which actually took place in August, it nevertheless seems probable that the current reaction in Business Activity, though coming at a season when expansion would be in order, is merely a temporary aftermath of unseasonably feverish activity during the normally dull summer months, induced by the Government's price raising campaign. This view is supported by a statement just issued from the League of Nations' headquarters at Geneva which stresses the world wide character of the recent recovery and points out that, between June, 1932, and July, 1933, industrial production in the world as a whole, excluding Russia, has risen by over 30%. In France the gain has been 22%, compared with 70% in the U. S. A., 11% in Canada, and 18% in Germany and Japan; while all but a few countries report improvement in employment statistics. The report sheds an interesting side light upon the widely held delusion that a depreciating currency improves a country's favorable balance of trade, by pointing out that the gold value of world exports has risen 10% since we went off the gold standard, while our own exports have dropped 11%, and our imports risen 5%, in terms of gold. If August be included, the comparison is even more remarkable.

Taken in conjunction with the persistent decline in world gold prices, the fact that our merchandise imports in August actually exceeded exports by $18,000,000 gold, may mean that we are at last taking our rightful position as a creditor nation and that the adverse balance of visible trade will be offset by the favorable invisible returns from our foreign investments. Business conditions, however, cannot improve with-



out a revival in demand for capital goods, which depends upon a better market for long term investment securities, which waits upon a restoration of confidence, which can only be brought about by a return to gold and definite assurance that we can then remain on the gold basis. Since no such assurance can be offered under present political conditions in this country and throughout the rest of the world, we can only fall back upon the comforting thought that natural economic forces the world over seem to be working for slow recovery, so that we shall probably manage to muddle through eventually in the face of many seemingly insuperable difficulties. It is extremely doubtful, however, that the problem can be solved by making money more plentiful—whether by greenbacks, devaluation, open market operations, or expansion of Government advances to industry—for this can only result in a futile lowering of the Cost of Business Credit and further additions to the already topheavy structure of short term indebtedness. In spite of the fiscal difficulties, however, several important industries are favored with improving prospects, as may be gathered from the following brief review:

### *The Trend of Major Industries*

STEEL—A promising upturn in new orders for steel to be delivered this quarter put in an appearance during the closing week of September by last minute buyers desiring to stock up before the October price advances went into effect. This is firm business, since, under the code, contracts are no longer subject to cancellation without penalties. On October 1, advances of $3 a ton on merchant bars and $2 on plates and shapes went into effect. With moderate improvement in activity these advances should practically compensate the industry for higher payrolls under the code, which has outlawed the hitherto demoralizing practice of price shading and secret rebates. While labor trouble caused a drop to 37.5% in the operating rate, this is looked upon as merely temporary, and the longer term outlook for the industry now appears to be more encouraging than in several years.

METALS—Since our last issue, there has come a lull in demand for non-ferrous metals, owing to delays in signing codes and the consequent price uncertainty. With the trend of general business still upward, however, prospects seem good for improving earnings next year. Foreign buying of copper continues in fair volume in keeping with slowly improving conditions in Europe. August exports of nickel from Canada, though 2,000,000 pounds less than in June and July, were only 5% under the record breaking August shipments of 1928. During the first eight months of the current year, the largest producer in Canada has shipped 150% more nickel than in the first eight months last year.

PETROLEUM—The first few weeks of control under the N R A appear to have demonstrated that the oil industry, after many futile years of attempted self regulation and abortive efforts by State authorities, has at last been placed upon a profitable and stable basis. Total output of crude, during the closing week of September, was throttled down to within 23,000 barrels of the Federal allowable, and a Texas court has just sustained the Government's right to enforce the law. Crude oil is now established at the moderately profitable price of $1 a barrel, compared with last year's ruinously low level of ten cents. In view of the additional curtailment by 72,000 barrels ordered for October, further price advances seem likely. It would appear that Federal conservation of our oil resources has come to stay. If so, a number of seasoned oil securities will graduate into the investment class.

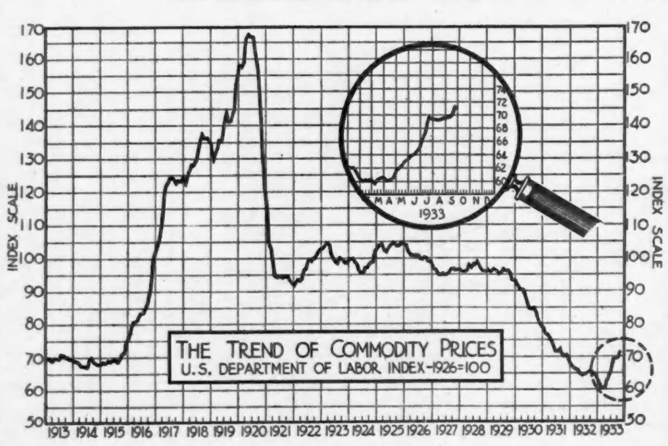
TEXTILES—While August brought an unusually sharp slump in new orders for cotton goods, bookings are now reported to be coming in again at a satisfactory rate. The silk trade has been all but disorganized by labor disputes; but plants should resume on an exceptionally active scale, once these difficulties have been ironed out.

SULPHUR—The two leading sulphur producers in this country, which enjoy a virtual monopoly, are now profiting by rising prices and a growing demand for this product, which is consumed in large quantities by a great variety of industries.

REFRIGERATORS—Unit sales of household electric refrigerators in August were 257% greater than last August; though total dollar sales for the first eight months were only 5% ahead of last year, owing to a 20% reduction in average prices.

### *Conclusion*

While business conditions throughout the world have been improving at a fairly conservative pace since the summer of 1932, progress in the United States appears to have been arrested temporarily by monetary difficulties arising from excessive speculation in commodities, gold, and merchandise. As always happens when the inevitable reaction follows an exhilerating rise in prices, confidence is being shaken by the opposing demands of those who would have bigger inflation immediately and the conservative camp which would remove the uncertainty by devaluating and stabilizing the dollar forthwith. Under current circumstances, with falling gold prices, and Government indebtedness rising by leaps and bounds, it appears difficult to stabilize the dollar permanently at the present moment. Economic conditions, however, apart from fiscal difficulties appear to favor further recovery in business next year.

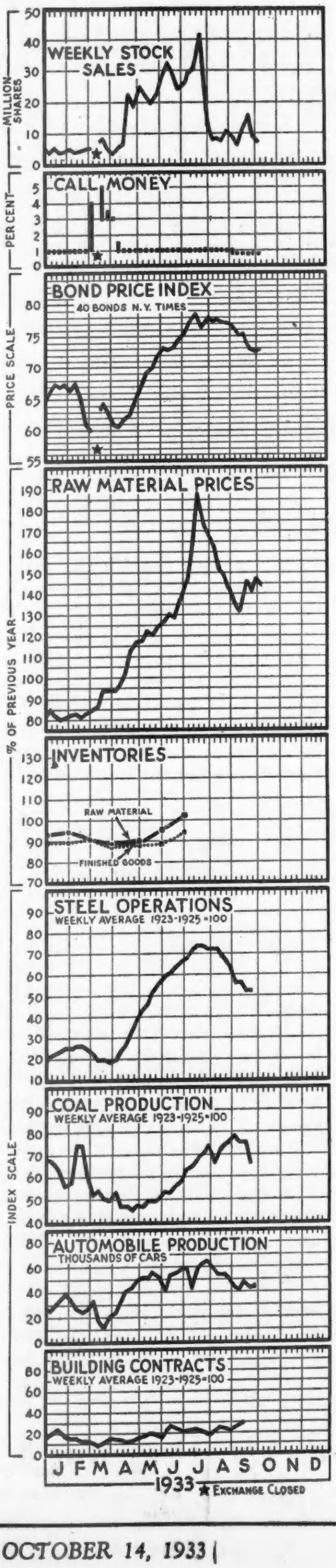



**Changes in Major Commodity Price Groups for the Fortnight Ended September 30, 1933**

| | | | | | |
|---|---|---|---|---|---|
| Farm products | up | 2.1 | Metals | up | 0.3 |
| Foods | down | 0.2 | Building materials | up | 1.2 |
| Hides and leather | down | 0.1 | Chemicals | no change | |
| Textiles | up | 0.8 | Housefurnishings | up | 0.7 |
| Fuel and lighting | up | 0.1 | Miscellaneous | up | 0.3 |

# The Magazine of Wall Street's Indicators

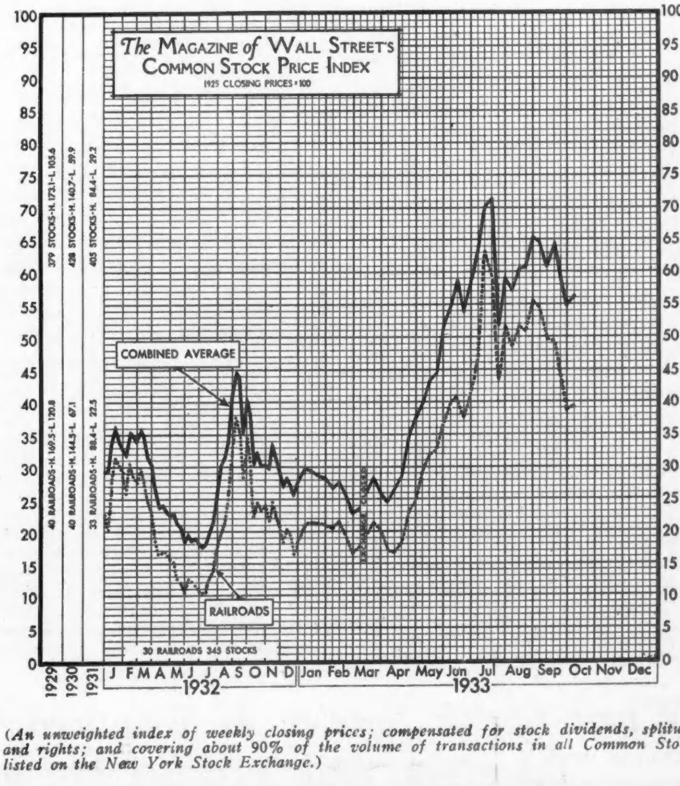
## Business Indexes




## Common Stock Price Index

| 1932 Indexes High | 1932 Indexes Low | 1932 Indexes Close | Number of Issues | | 1933 Indexes High | 1933 Indexes Low | Sept. 23 | Sept. 30 | Oct. 7 |
|---|---|---|---|---|---|---|---|---|---|
| 45.0 | 17.5 | 27.4 | 280 | COMBINED AVERAGE (1925 Close—100) | 71.3 | 22.7 | 58.5 | 54.6 | 56.1 |
| 66.8 | 17.9 | 32.3 | 3 | Agricultural Implements | 116.0 | 26.8 | 75.7 | 69.8 | 73.5 |
| 59.3 | 11.4 | 16.9 | 6 | Amusements | 37.8 | 7.3 | 31.9 | 28.7 | 30.5 |
| 31.3 | 10.7 | 17.5 | 14 | Automobile Accessories | 50.9 | 12.4 | 40.0 | 36.6 | 38.2 |
| 17.6 | 5.8 | 10.6 | 14 | Automobiles | 22.7 | 7.3 | 17.3 | 15.5 | 16.7 |
| 62.5 | 16.2 | 56.2 | 4 | Aviation (1927 Cl.—100) | 102.9 | 41.8 | 70.7 | 66.3 | 67.7 |
| 13.1 | 4.8 | 5.6 | 3 | Baking (1926 Cl.—100) | 26.5 | 5.1 | 17.9 | 15.9 | 15.2 |
| 129.9 | 60.1 | 96.0 | 2 | Biscuit | 157.5 | 79.9 | 148.6 | 141.9 | 140.1 |
| 83.8 | 29.6 | 47.4 | 5 | Business Machines | 128.8 | 39.8 | 106.8 | 96.0 | 98.4 |
| 119.0 | 51.0 | 101.5 | 2 | Cans | 175.5 | 92.9 | 171.0 | 166.2 | 171.9 |
| 113.3 | 53.6 | 96.3 | 8 | Chemicals & Dyes | 278.7 | 73.2 | 244.5 | 229.5 | 248.0 |
| 44.3 | 13.1 | 18.9 | 2 | Coal | 45.9 | 12.0 | 30.8 | 26.2 | 31.8 |
| 24.8 | 9.9 | 14.2 | 14 | Construction & Build. Mat. | 38.7 | 11.2 | 30.3 | 27.3 | 28.4 |
| 57.2 | 14.9 | 24.0 | 8 | Copper | 86.4 | 21.2 | 76.2 | 71.8 | 72.3 |
| 57.8 | 28.3 | 32.6 | 2 | Dairy Products | 47.7 | 23.0 | 31.2 | 28.4 | 31.0 |
| 16.3 | 4.5 | 7.9 | 7 | Department Stores | 27.3 | 6.6 | 22.5 | 19.5 | 19.6 |
| 74.3 | 35.1 | 53.7 | 8 | Drug & Toilet Articles | 89.0 | 45.3 | 71.8 | 69.7 | 67.1 |
| 63.9 | 28.7 | 42.2 | 4 | Electric Apparatus | 104.0 | 35.6 | 76.7 | 70.6 | 74.2 |
| 58.7 | 23.7 | 33.2 | 2 | Finance Companies | 104.6 | 33.2 | 96.8 | 96.0 | 94.7 |
| 56.1 | 28.3 | 39.5 | 5 | Food Brands | 75.2 | 32.6 | 62.6 | 57.8 | 60.2 |
| 56.4 | 33.9 | 49.6 | 3 | Food Stores | 77.5 | 40.5 | 56.8 | 52.4 | 54.3 |
| 41.8 | 11.7 | 17.0 | 2 | Furniture & Floor Covering | 58.0 | 13.8 | 49.4 | 46.3 | 51.7 |
| 527.8 | 357.9 | 514.0 | 2 | Gold Mining | 1365.0 | 481.2 | 1299.0 | 1290.0 | 1284.9 |
| 21.1 | 9.6 | 12.4 | 4 | Household Equipment | 30.3 | 10.5 | 27.2 | 25.3 | 26.5 |
| 31.5 | 9.5 | 22.0 | 7 | Investment Trusts | 38.0 | 14.5 | 26.1 | 25.0 | 25.7 |
| 27.4 | 7.7 | 20.0 | 2 | Mail Orders | 47.4 | 13.5 | 39.2 | 35.8 | 37.3 |
| 55.8 | 19.3 | 30.1 | 7 | Metal Mining & Smelting | 126.2 | 30.1 | 122.0 | 120.4 | 121.1 |
| 42.4 | 21.6 | 33.2 | 24 | Petroleum & Natural Gas | 83.4 | 29.3 | 77.0 | 73.4 | 74.2 |
| 22.5 | 6.2 | 9.8 | 4 | Phonos. & Radio (1927-100) | 30.2 | 6.7 | 21.8 | 20.3 | 21.9 |
| 94.9 | 37.1 | 63.5 | 20 | Public Utilities | 104.0 | 40.8 | 61.7 | 57.8 | 59.6 |
| 37.8 | 12.0 | 17.7 | 8 | Railroad Equipment | 69.4 | 17.7 | 57.8 | 57.3 | 57.4 |
| 37.8 | 10.4 | 18.1 | 29 | Railroads | 63.0 | 16.3 | 43.7 | 38.5 | 39.1 |
| 44.4 | 14.9 | 27.0 | 2 | Restaurants | 38.9 | 19.9 | 26.7 | 23.8 | 24.3 |
| 89.9 | 58.0 | 60.8 | 2 | Soft Drinks (1926 Cl.-100) | 148.6 | 57.8 | 139.5 | 139.4 | 144.6 |
| 45.9 | 11.7 | 23.3 | 7 | Steel & Iron | 69.1 | 19.1 | 49.4 | 44.9 | 47.2 |
| 12.4 | 3.8 | 7.3 | 3 | Sugar | 29.5 | 7.3 | 27.5 | 26.7 | 27.3 |
| 121.6 | 53.9 | 112.1 | 2 | Sulphur | 197.4 | 79.3 | 195.6 | 186.3 | 197.4h |
| 57.2 | 21.0 | 35.9 | 3 | Telephone & Telegraph | 82.3 | 28.1 | 66.2 | 61.0 | 60.8 |
| 52.5 | 16.3 | 30.1 | 5 | Textiles | 82.2 | 22.5 | 58.9 | 53.6 | 56.6 |
| 11.0 | 2.5 | 4.4 | 4 | Tires & Rubber | 15.1 | 3.0 | 12.1 | 11.1 | 11.5 |
| 68.6 | 40.8 | 48.2 | 4 | Tobacco | 90.2 | 46.2 | 86.0 | 83.2 | 84.1 |
| 57.0 | 17.9 | 22.7 | 3 | Traction | 52.7 | 22.3 | 44.4 | 46.0 | 52.7h |
| 50.9 | 23.3 | 34.3 | 2 | Variety Stores | 52.9 | 23.3 | 41.1 | 38.8 | 41.2 |

h—New high this year.




*(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)*

PERSONAL SERVICE SECTION

# Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

### INTERNATIONAL TELEPHONE & TELEGRAPH CORP.

*What is your opinion of International Telephone and Telegraph? How will it benefit in currency stabilization at home—and in stabilization abroad? I ask because this stock now appears very attractively priced to me—and I would like to have your opinion before buying.—D. F. T., Detroit, Mich.*

International Telephone & Telegraph Corp. emerged from deficit operations in the quarter ended June 30, 1933, reporting net profit of $211,941, equal to 3 cents a share which compared with net loss of $854,251 in the first quarter of this year and with a net loss of $943,860 in the second quarter of 1932. However, the latest result was insufficient to offset the losses of the early part of the year, a net loss of $642,310 being sustained for the first 6 months of 1933. The rise in foreign currencies, compared with the dollar, has resulted in an appreciation of approximately $4,500,000 in company's net current assets in foreign currencies when computed in dollars at the exchange rate of June 30, last, this amount being temporarily credited to a special exchange reserve account. Stabilization of American currency at approximately the prevailing value in terms of gold would make this appreciation actual, but on the other hand, stabilization of foreign currencies at present levels would tend to offset this advantage, However, stabilization on an international basis would be a beneficial development for the company since it would remove the uncertainties of foreign exchange fluctuations, facilitate the transfer of funds from the foreign subsidiaries to the United States and would permit a resumption of business on a normal basis. International's bank loans have been reduced to $26,000,000 as of August 1, and extended for six months to February 1, 1934, removing this factor of uncertainty. Because of these constructive developments and the marked improvement in earnings, we are favorably disposed toward speculative possibilities of the company, representing a world-wide communication system with well diversified activities in telephone, telegraph, cable, radio and the manufacture of apparatus therefor. Hence we endorse purchase of the common stock around current levels, where reasonable risks are not objectionable.

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### BEST & CO., INC.

*I am sorry I did not buy 100 shares of Best & Co. when you recommended it earlier this year, as I would now be even on 100 shares I have been holding since 1929. What do you think of this stock now? Would you advise me to buy now or sell my present stock and invest in something else for earlier appreciation?—W. B. A., Cincinnati, Ohio.*

The improvement in the operations of Best & Co., Inc., is evidenced by the figures for the six months ended July 31, 1933, when net income was $180,694, equal to 58 cents a share, compared with $10,545 or 1 cent a share for the corresponding period of 1932. This encouraging result was achieved in the face of slightly lower net sales, the latest figure being $5,225,972, against $5,598,863, reflecting increased efficiency and the advantages obtained through inventory appreciation in the first part of this year. Further reflection of the improvement is found in the resumption of dividends, the company having declared a distribution of 25 cents on the common stock, payable October 16, 1933, this being the first disbursement since March 15, 1932. Thus, our favorable attitude toward the stock, expressed earlier this year, has been justified. In spite of the constructive developments of recent months, the stock is currently selling at only a few points higher than it was last May, when no dividends were being paid. The common stock has a sound equity position, since there are no bank loans and no bonds outstanding and the preferred stock, amounting to only $197,200, is held exclusively by employees of the company. A small real estate mortgage of $950,000 is the only funded obligation ranking ahead of

(Please turn to page 647)

**When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect**

# New York Stock Exchange

## RAILS

| | 1931 High | 1931 Low | 1932 High | 1932 Low | 1933 High | 1933 Low | Last Sale 10/4/33 | Div'd $ Per Share |
|---|---|---|---|---|---|---|---|---|
| **A** | | | | | | | | |
| Atchison | 202⅜ | 79¼ | 94 | 17⅞ | 80⅛ | 34⅝ | 54½ | .. |
| Atlantic Coast Line | 120 | 25 | 44 | 9¾ | 59 | 16½ | 35 | .. |
| **B** | | | | | | | | |
| Baltimore & Ohio | 87⅞ | 14 | 21⅜ | 3¾ | 37⅞ | 8¼ | 28 | .. |
| Brooklyn-Manhattan Transit | 69⅜ | 31⅛ | 50¼ | 11⅛ | 41¼ | 21¾ | 32 | .. |
| **C** | | | | | | | | |
| Canadian Pacific | 45⅜ | 10¾ | 20⅝ | 7¼ | 20⅞ | 7½ | 14⅜ | .. |
| Chesapeake & Ohio | 46½ | 23⅜ | 31½ | 9¾ | 49¼ | 24⅝ | 42⅛ | 2.80 |
| C. M. & St. Paul & Pacific | 8⅞ | 1½ | 4½ | ¾ | 11¾ | 1 | 6½ | .. |
| Chicago & Northwestern | 45½ | 5 | 14½ | 2 | 16 | 1¼ | 10 | .. |
| Chicago, Rock Is. & Pacific | 65½ | 7⅞ | 16⅜ | 1½ | 10⅛ | 2 | 4½ | .. |
| **D** | | | | | | | | |
| Delaware & Hudson | 157¼ | 64 | 92½ | 32 | 93¾ | 37⅝ | 64½ | .. |
| Delaware, Lack. & Western | 102 | 17¾ | 45⅞ | 8½ | 46 | 17¼ | 29⅜ | .. |
| **E** | | | | | | | | |
| Erie R. R. | 39¾ | 5 | 11¾ | 2 | 25¾ | 3¾ | 17⅜ | .. |
| **G** | | | | | | | | |
| Great Northern Pfd | 69¾ | 15⅝ | 25 | 5½ | 33¾ | 4⅝ | 21½ | .. |
| **H** | | | | | | | | |
| Hudson & Manhattan | 44½ | 26¼ | 30¾ | 8 | 19 | 6½ | 14⅞ | .. |
| **I** | | | | | | | | |
| Illinois Central | 89 | 9⅛ | 24⅞ | 4¾ | 50¾ | 8½ | 32 | .. |
| Interborough Rapid Transit | 34 | 4⅝ | 14⅝ | 2¼ | 10¼ | 4⅛ | 9 | .. |
| **L** | | | | | | | | |
| Lehigh Valley | 61 | 8 | 29¼ | 5 | 27¾ | 8⅝ | 18 | .. |
| Louisville & Nashville | 111 | 20¼ | 38¼ | 7½ | 67½ | 21¼ | 43¼ | .. |
| **M** | | | | | | | | |
| Mo., Kansas & Texas | 26¾ | 3⅞ | 13 | 1¼ | 17⅛ | 5¾ | 9¾ | .. |
| **N** | | | | | | | | |
| New York Central | 132¼ | 24⅞ | 36⅝ | 8¾ | 58½ | 14 | 40½ | .. |
| N. Y., Chic. & St. Louis | 88 | 2½ | 9¾ | 1½ | 27⅝ | 2⅛ | 18 | .. |
| N. Y., N. H. & Hartford | 94⅞ | 17 | 31⅝ | 6 | 34⅞ | 11⅛ | 20⅛ | .. |
| N. Y., Ontario & Western | 13⅞ | 5¼ | 15¾ | 3⅝ | 15 | 7 | 9½ | .. |
| Norfolk & Western | 217 | 105⅝ | 135 | 57 | 177 | 111½ | 150 | 8 |
| Northern Pacific | 60⅞ | 14½ | 25⅜ | 5½ | 34⅞ | 9⅝ | 24¼ | .. |
| **P** | | | | | | | | |
| Pennsylvania | 64 | 16¼ | 23⅜ | 6½ | 42¼ | 13⅜ | 30⅝ | .50 |
| **S** | | | | | | | | |
| St. Louis-San Fran | 62¾ | 3 | 6⅝ | ⅝ | 9 | ⅞ | 3 | .. |
| Southern Pacific | 109½ | 26½ | 37⅝ | 6½ | 38¾ | 11⅛ | 23¾ | .. |
| Southern Railway | 65⅞ | 6⅜ | 18½ | 2½ | 36 | 4⅛ | 27 | .. |
| **U** | | | | | | | | |
| Union Pacific | 205⅛ | 70⅛ | 94½ | 27⅝ | 132 | 61¼ | 115 | 6 |
| **W** | | | | | | | | |
| Western Maryland | 19⅝ | 5 | 11⅜ | 1½ | 16 | 4 | 10⅛ | .. |
| Western Pacific | 14⅞ | 1¾ | 4¾ | ½ | 9½ | 1 | 4 | .. |

## INDUSTRIALS AND MISCELLANEOUS

| | 1931 High | 1931 Low | 1932 High | 1932 Low | 1933 High | 1933 Low | Last Sale 10/4/33 | Div'd $ Per Share |
|---|---|---|---|---|---|---|---|---|
| **A** | | | | | | | | |
| Adams Express | 23½ | 3⅛ | 9½ | 1⅝ | 13¾ | 3 | 8¾ | .. |
| Air Reduction, Inc | 109¾ | 47⅝ | 63½ | 30⅞ | 112 | 47½ | 105 | *3¾ |
| Alaska Juneau | 20⅛ | 7 | 16⅝ | 7¾ | 33 | 11⅛ | 26½ | *.75 |
| Alleghany Corp | 12¾ | 1⅛ | 3⅝ | ⅜ | 8¼ | ⅞ | 4⅜ | .. |
| Allied Chemical & Dye | 182¾ | 64 | 88¼ | 42½ | 105½ | 70¾ | 135¾ | 6 |
| Allis Chalmers Mfg. | 42¾ | 10½ | 15⅜ | 4 | 26⅜ | 6 | 17¼ | .. |
| Amer. Brake Shoe & Fdy | 38 | 13½ | 17⅞ | 6½ | 42½ | 9⅛ | 33 | .60 |
| American Can | 129¾ | 58⅛ | 73⅞ | 29⅝ | 98¼ | 49½ | 91 | 4 |
| Amer. Car & Fdy | 38¾ | 4½ | 17 | 3⅛ | 39¾ | 6⅛ | 28¾ | .. |
| Amer. Com'l Alcohol | 14½ | 5 | 27 | 11 | 89⅞ | 13 | 62 | .. |
| American Ice | 31⅝ | 10½ | 21⅝ | 3⅜ | 17½ | 3¾ | 8 | .. |
| Amer. International Corp | 26 | 5 | 12 | 2½ | 15⅛ | 4¼ | 10 | .. |
| Amer. Mchy. & Fdry | 43¾ | 16 | 22¼ | 7½ | 22⅜ | 8¾ | 16 | .80 |
| Amer. Power & Light | 64⅞ | 11⅝ | 17¼ | 3 | 19⅞ | 4 | 9 | .. |
| Amer. Radiator & S. S. | 21½ | 5 | 12¼ | 3⅛ | 19 | 4⅝ | 14½ | .. |
| Amer. Rolling Mill | 37⅜ | 7⅜ | 18½ | 3 | 31⅞ | 5¾ | 19½ | .. |
| Amer. Smelting & Refining | 58½ | 7½ | 27¼ | 5⅛ | 53½ | 10¾ | 47½ | .. |
| Amer. Steel Foundries | 31¼ | 5 | 15⅛ | 3 | 27 | 4⅝ | 22¼ | .. |
| Amer. Sugar Refining | 60 | 34½ | 39¼ | 13 | 74 | 21½ | 65 | 2 |
| Amer. Tel. & Tel | 201¾ | 112⅛ | 187⅜ | 70¼ | 134¾ | 86½ | 120½ | 9 |
| Amer. Tobacco Com | 128¾ | 60½ | 86¾ | 40½ | 90½ | 49 | 83¾ | 5 |
| Amer. Tob. B | 132¾ | 64 | 89¾ | 44 | 94¾ | 50¾ | 86½ | 5 |
| Amer. Water Works & Elec | 80¾ | 23⅛ | 34½ | 11 | 43¼ | 10⅞ | 23¼ | 1 |
| Amer. Woolen | 11⅞ | 2⅝ | 10 | 1⅝ | 17 | 3½ | 11¾ | .. |
| do Pfd | 40 | 15¼ | 39⅞ | 15½ | 61⅞ | 22⅝ | 51⅞ | .. |
| Anaconda Copper Mining | 43¼ | 9¼ | 19⅜ | 3 | 22⅞ | 5 | 17⅛ | .. |
| Armour Ill. A | 4½ | ¾ | 2¾ | ⅝ | 7¾ | 1⅛ | 4¼ | .. |
| do B | 2⅞ | ½ | 2 | ⅜ | 5 | ¾ | 2⅝ | .. |
| Atlantic Refining | 23⅝ | 8⅝ | 21⅞ | 8⅝ | 31⅞ | 12⅜ | 28⅜ | 1 |
| Auburn Auto | 295½ | 84½ | 151¾ | 28¾ | 84¼ | 31¼ | 50½ | 2 |
| Aviation Corp. Del | 6⅛ | 2 | 8⅞ | 1½ | 16⅜ | 5½ | 9½ | .. |
| **B** | | | | | | | | |
| Baldwin Loco. Works | 27⅞ | 4⅝ | 12 | 2 | 17⅝ | 3½ | 13½ | .. |
| Barnsdall Corp. Cl. A | 14½ | 4 | 7 | 3⅜ | 11 | 3 | 9⅞ | .. |
| Beatrice Creamery | 81 | 37 | 43½ | 10½ | 27 | 7 | 13⅝ | .. |
| Bendix Aviation | 25½ | 12⅝ | 18¾ | 4½ | 21¼ | 6⅛ | 16¼ | .. |
| Best & Co | 46¼ | 19¾ | 24⅞ | 5¾ | 33⅛ | 9 | 27 | 1 |
| Bethlehem Steel Corp | 70⅛ | 17¼ | 29⅝ | 7¼ | 49¼ | 10⅛ | 35⅛ | .. |
| Bohn Aluminum | 43 | 15½ | 22¼ | 4⅞ | 54½ | 9½ | 43⅞ | 1 |
| Borden Company | 76½ | 35⅛ | 43⅛ | 20 | 37⅜ | 18 | 23¾ | 1.60 |
| Borg Warner | 30¾ | 9 | 14¼ | 3⅜ | 21⅝ | 5½ | 16½ | .. |
| Briggs Mfg. | 22¾ | 7½ | 11¾ | 2⅞ | 14⅝ | 2⅝ | 9¾ | .. |
| Burroughs Adding Mach | 32¼ | 10 | 13¼ | 6¼ | 20⅞ | 6⅛ | 15⅛ | .40 |
| Byers & Co. (A. M.) | 69¾ | 10⅞ | 24⅝ | 7 | 43¼ | 8½ | 28 | .. |

# Price Range of Active Stocks

## INDUSTRIALS AND MISCELLANEOUS (*Continued*)

| | 1931 | | 1932 | | 1933 | | Last Sale 10/4/33 | Div'd $ Per Share |
|---|---|---|---|---|---|---|---|---|
| C | High | Low | High | Low | High | Low | | |
| California Packing | 53 | 8 | 19 | 8 | 34¾ | 7¾ | 23 | .. |
| Canada Dry Ginger Ale | 45 | 10⅜ | 15 | 6 | 41½ | 7½ | 32½ | 1 |
| Case, J. I. | 131½ | 33¼ | 65¾ | 16¾ | 103½ | 30½ | 70¾ | .. |
| Caterpillar Tractor | 52½ | 10¼ | 15 | 4⅜ | 29¾ | 5½ | 31¼ | .. |
| Cerro de Pasco Copper | 30⅛ | 9⅞ | 15½ | 3½ | 44¾ | 5⅞ | 38½ | .. |
| Chesapeake Corp | 54⅛ | 13⅞ | 20¾ | 4⅞ | 52½ | 14⅞ | 39⅝ | 2 |
| Chrysler Corp | 25¾ | 11¾ | 21¾ | 5 | 52⅞ | 7¾ | 45⅞ | .50 |
| Coca-Cola Co | 170 | 97½ | 120 | 68½ | 105 | 73½ | 91 | 6 |
| Colgate-Palmolive-Peet | 50½ | 24 | 31½ | 10¼ | 22⅜ | 7 | 14½ | .. |
| Columbian Carbon | 111⅝ | 32 | 41⅞ | 13½ | 71½ | 23⅛ | 53⅞ | 2 |
| Colum. Gas & Elec | 45⅝ | 11⅝ | 21 | 4¼ | 23⅛ | 9 | 15¾ | §.80 |
| Commercial Credit | 23¼ | 8 | 11 | 3⅞ | 19 | 4 | 17¼ | .. |
| Comm. Inv. Trust | 34 | 15½ | 27⅞ | 10⅞ | 43½ | 18 | 37 | 2 |
| Commercial Solvents | 21½ | 6⅝ | 13¾ | 3½ | 57¼ | 9 | 39 | .60 |
| Commonwealth & Southern | 12 | 3 | 5⅛ | 1⅝ | 6⅛ | 1⅜ | 2⅜ | .. |
| Congoleum-Nairn | 14¾ | 6⅞ | 12¼ | 6½ | 27⅝ | 7⅜ | 24⅞ | 1 |
| Consolidated Gas of N. Y. | 109⅝ | 57¼ | 68¾ | 31½ | 64⅛ | 39½ | 42⅜ | 3.40 |
| Consol. Oil | 15⅞ | 4⅛ | 9 | 4 | 15¾ | 5 | 13⅞ | .. |
| Continental Baking Cl. A | 30 | 4½ | 8 | 2⅞ | 18¼ | 3 | 13¼ | .. |
| Continental Can, Inc | 62¾ | 30¼ | 41 | 17⅝ | 69 | 35¼ | 66 | 2 |
| Continental Insurance | 51⅞ | 18⅛ | 25¼ | 6¾ | 36½ | 10½ | 26¼ | 1.20 |
| Continental Oil | 12 | 5 | 9⅜ | 3⅝ | 19⅝ | 4⅞ | 17¾ | .. |
| Corn Products Refining | 86⅝ | 36¼ | 55⅜ | 24¾ | 90⅝ | 45⅜ | 89⅜ | †3 |
| Crown Cork & Seal | 38¼ | 13¾ | 23⅞ | 7⅞ | 65 | 14¼ | 40 | .. |
| Cudahy Packing | 48⅞ | 29 | 35½ | 20 | 59½ | 20¾ | 46 | 2½ |
| Curtiss Wright, Common | 5⅞ | 1 | 3¼ | ⅞ | 4⅝ | 1½ | 2½ | .. |
| **D** | | | | | | | | |
| Diamond Match | 23 | 10⅝ | 19⅛ | 12 | 29½ | 17½ | 25⅜ | 1 |
| Dome Mines | 13½ | 6⅝ | 12⅞ | 7½ | 39½ | 12 | 36½ | *1.80 |
| Dominion Stores | 24 | 11 | 18⅛ | 11¼ | 26⅜ | 10½ | 20 | 1.20 |
| Douglas Aircraft | 21¼ | 7⅞ | 18⅝ | 5 | 18¼ | 10¼ | 14⅜ | .75 |
| Du Pont de Nemours | 107 | 50¾ | 59¾ | 22 | 85¾ | 32⅛ | 78 | 2 |
| **E** | | | | | | | | |
| Eastman Kodak Co | 185¾ | 77 | 87⅞ | 35¼ | 89¾ | 46 | 79¾ | 3 |
| Electric Auto Lite | 74⅜ | 20 | 32¾ | 8½ | 27½ | 10 | 18½ | .. |
| Elec. Power & Light | 60¾ | 9 | 16 | 2¾ | 15⅜ | 3⅛ | 7 | .. |
| Elec. Storage Battery | 66 | 23 | 33¼ | 12⅝ | 54 | 21 | 43 | 2 |
| Endicott-Johnson Corp | 45⅜ | 13½ | 37¼ | 16 | 62⅞ | 26 | 58 | 3 |
| **F** | | | | | | | | |
| Firestone Tire & Rubber | 21½ | 12⅞ | 18⅞ | 10½ | 31½ | 9⅛ | 24⅜ | .40 |
| First National Stores | 63 | 41 | 54½ | 35 | 70¾ | 43 | 50 | 2½ |
| Fox Film Cl. A | 38⅜ | 2½ | 5⅞ | 1 | 19 | 12½ | 16¾ | .. |
| Freeport Texas Co | 43¼ | 13¼ | 28⅝ | 10 | 47⅜ | 16⅛ | 44⅜ | 2 |
| **G** | | | | | | | | |
| General Amer. Trans Car | 73⅛ | 28 | 35¾ | 9½ | 43¼ | 13¾ | 32½ | 1 |
| General Asphalt | 47 | 9⅝ | 15½ | 4¾ | 27 | 4⅝ | 18 | .. |
| General Baking | 25⅝ | 9½ | 19⅝ | 10½ | 20⅞ | 11½ | 14¼ | 1 |
| General G. & E. A. | 8½ | 1¼ | 2¾ | ⅜ | 2⅞ | ⅝ | 1¼ | .. |
| General Electric | 54¾ | 22⅞ | 26⅛ | 8½ | 30¼ | 10½ | 20⅞ | .40 |
| General Foods | 56 | 28¼ | 40½ | 19⅝ | 39⅞ | 21 | 35¼ | 1.80 |
| General Mills | 50 | 29⅛ | 48½ | 28 | 71 | 35½ | 63⅞ | 3 |
| General Motors Corp | 48 | 21⅜ | 24⅝ | 7⅝ | 35¾ | 10 | 31¼ | 1 |
| General Railway Signal | 84⅛ | 21 | 28⅝ | 6⅛ | 49½ | 13¼ | 37 | 1 |
| Gillette Safety Razor | 38¾ | 9¼ | 24¼ | 10⅜ | 20¼ | 9¾ | 13⅝ | 1 |
| Gold Dust Corp | 42⅛ | 14½ | 20⅝ | 8¼ | 27⅜ | 12 | 21¼ | 1.20 |
| Goodrich Co. (B. F.) | 20⅞ | 3⅜ | 12⅜ | 2¼ | 21½ | 3 | 14⅞ | .. |
| Goodyear Tire & Rubber | 52¾ | 13¾ | 29¾ | 5½ | 47½ | 9¼ | 36¼ | .. |
| **H** | | | | | | | | |
| Hershey Chocolate | 103¾ | 68 | 83 | 43½ | 72 | 35⅛ | 49 | 3 |
| Houston Oil of Texas (New) | 14 | 3 | 28¼ | 8¾ | 38 | 8¼ | 28⅝ | .. |
| Hudson Motor Car | 26 | 7¾ | 11¾ | 2⅞ | 16⅜ | 3 | 12¼ | .. |
| Hupp Motor Car | 13⅛ | 3¾ | 5⅜ | 1½ | 7¾ | 1⅝ | 4⅜ | .. |
| **I** | | | | | | | | |
| Ingersoll-Rand | 182 | 25⅜ | 44⅞ | 14¾ | 78 | 19⅛ | 57 | 1½ |
| Inter. Business Machines | 179¾ | 92 | 117 | 52½ | 153¼ | 75¾ | 133 | 6 |
| Inter. Cement | 62½ | 16 | 18¾ | 3⅝ | 40 | 6⅛ | 29⅝ | .. |
| Inter. Harvester | 60½ | 22⅜ | 34⅛ | 10⅜ | 46 | 13⅝ | 38½ | .60 |
| Inter. Nickel | 20⅛ | 7 | 12½ | 3½ | 22⅜ | 6¾ | 20¾ | .. |
| International Shoe | 54 | 37 | 44⅜ | 20¼ | 56⅜ | 24⅜ | 41¾ | 3 |
| Inter. Tel. & Tel. | 38¾ | 7⅛ | 15¾ | 2⅝ | 21¾ | 5⅛ | 14 | .. |
| **J** | | | | | | | | |
| Johns-Manville | 80¾ | 15⅝ | 33⅛ | 10 | 60⅜ | 12¼ | 56 | .. |
| **K** | | | | | | | | |
| Kennecott Copper | 31½ | 9⅝ | 19¼ | 4⅞ | 26 | 7⅜ | 23⅜ | .. |
| Kresge (S. S.) | 29⅝ | 15 | 19 | 6⅝ | 16⅞ | 5½ | 12¾ | .80 |
| Kroger Grocery & Baking | 35½ | 12½ | 17⅞ | 10 | 35⅝ | 14½ | 23⅜ | 1 |
| **L** | | | | | | | | |
| Lambert Co | 87⅞ | 40⅛ | 56¾ | 25 | 41⅛ | 22⅛ | 30⅞ | 4 |
| Lehman Corp. | 69⅜ | 35 | 51⅞ | 30½ | 79⅜ | 37½ | 69 | 2.40 |
| Liggett & Myers Tob. B | 91¾ | 40 | 67¼ | 34⅛ | 99⅜ | 49¼ | 96½ | *5 |
| Liquid Carbonic | 55⅛ | 13½ | 22 | 9 | 50 | 10¼ | 30 | .. |
| Loew's, Inc | 63½ | 23⅞ | 37¾ | 13¼ | 36½ | 8½ | 33 | 1 |
| Loose-Wiles Biscuit | 54⅞ | 29⅞ | 36⅜ | 16½ | 42½ | 19¼ | 38 | 2 |
| Lorillard | 21⅞ | 10 | 18⅜ | 9 | 25¼ | 10⅜ | 21¾ | 1.20 |
| **M** | | | | | | | | |
| Mack Truck, Inc. | 43⅞ | 12 | 28¾ | 10 | 46⅜ | 13½ | 33 | 1 |
| Macy (R. H.) | 106¼ | 50 | 60½ | 17 | 65¾ | 24¼ | 55¾ | 2 |
| Marine Midland | 24¼ | 9¼ | 14⅜ | 6½ | 11½ | 5¼ | 7½ | .40 |
| Mathieson Alkali | 31½ | 12 | 20⅞ | 9 | 43¾ | 14 | 41¾ | 1½ |
| May Dept. Stores | 39 | 15⅝ | 20 | 9½ | 33 | 9¾ | 30 | 1 |
| McKeesport Tin Plate | 103½ | 38½ | 62¼ | 28 | 95¾ | 44⅛ | 81¾ | 4 |
| Mont. Ward & Co | 29¼ | 6⅝ | 16½ | 3½ | 28⅞ | 8⅝ | 21 | .. |

# New York Stock Exchange Price Range of Active Stocks

## INDUSTRIALS AND MISCELLANEOUS (*Continued*)

| | 1931 | | 1932 | | 1933 | | Last Sale | Div'd $ Per |
|---|---|---|---|---|---|---|---|---|
| **N** | High | Low | High | Low | High | Low | 10/4/33 | Share |
| Nash Motor Co | 40⅞ | 15 | 19¾ | 8 | 27 | 11⅛ | 21⅛ | 1 |
| National Biscuit | 83¾ | 36⅜ | 46⅞ | 20¼ | 60⅝ | 31½ | 50⅝ | 2.80 |
| National Cash Register A | 39¾ | 7⅛ | 18¾ | 6¼ | 23⅝ | 5⅛ | 17⅜ | .. |
| National Dairy Prod | 50¾ | 20 | 31⅜ | 14⅜ | 25¾ | 10½ | 15⅞ | 1.20 |
| National Power & Light | 44¼ | 10¼ | 20⅜ | 6⅝ | 20½ | 6⅞ | 11½ | 1 |
| National Steel | 58⅛ | 18½ | 33⅞ | 13½ | 55⅛ | 15 | 42 | 1 |
| North Amer. Aviation | 11 | 2⅜ | 6⅝ | 1¼ | 9 | 4 | 6¼ | .. |
| North American Co | 90¼ | 26 | 43¼ | 13¾ | 36½ | 15¼ | 19¾ | §8% |
| **O** | | | | | | | | |
| Ohio Oil | 19½ | 5⅛ | 11 | 5 | 17⅝ | 4¾ | 15¾ | .. |
| Otis Elevator | 58½ | 16⅛ | 22½ | 9 | 25¼ | 10⅛ | 15 | .60 |
| Otis Steel | 16⅜ | 3½ | 9¼ | 1¼ | 9¼ | ½ | 4¼ | .. |
| Owens Ill. Glass | 39¾ | 20 | 42¼ | 12 | 96¾ | 31½ | 78½ | *2¼ |
| **P** | | | | | | | | |
| Pacific Gas & Electric | 54⅞ | 29⅝ | 37 | 16⅞ | 31⅞ | 20 | 20⅞ | 1½ |
| Pacific Lighting | 69½ | 35 | 47½ | 20¾ | 43⅜ | 25¼ | 27¼ | 3 |
| Packard Motor Car | 11⅞ | 3⅞ | 5¼ | 1½ | 6⅞ | 1¾ | 4 | .. |
| Paramount Publix | 50¼ | 5½ | 11½ | 1½ | 2½ | ⅛ | 1⅜ | .. |
| Penney (J. C.) | 44¾ | 26¾ | 34½ | 13 | 52⅝ | 19¼ | 46 | 1.20 |
| Peoples Gas—Chic. | 250 | 107 | 121 | 39 | 78 | 29 | 34½ | .. |
| Phelps Dodge Corp | 25⅝ | 5⅞ | 11⅝ | 3⅞ | 18⅞ | 4½ | 17¾ | .. |
| Phillips Petroleum | 16⅝ | 4 | 8⅛ | 2 | 18¾ | 4¾ | 16½ | .. |
| Procter & Gamble | 71¼ | 36⅜ | 42¾ | 19⅞ | 47½ | 19⅝ | 41⅞ | 1½ |
| Public Service of N. J. | 96½ | 49⅛ | 60 | 28 | 57⅛ | 33¼ | 37¾ | 2.80 |
| Pullman, Inc. | 58½ | 15¼ | 28 | 10½ | 58⅛ | 18 | 50⅜ | 3 |
| Pure Oil | 11⅞ | 3¼ | 6½ | 2⅞ | 15⅜ | 2½ | 13⅜ | .. |
| Purity Bakeries | 55¼ | 10¾ | 15⅞ | 4⅜ | 25⅜ | 5⅞ | 16⅜ | 1 |
| **R** | | | | | | | | |
| Radio Corp. of America | 27½ | 5⅛ | 13½ | 2½ | 12¼ | 3 | 8 | .. |
| Radio-Keith-Orpheum | 4 | 2¾ | 7¾ | 1½ | 5¾ | 1 | 2⅞ | .. |
| Remington-Rand | 19¾ | 1⅞ | 7½ | 1 | 11¼ | 2½ | 8 | .. |
| Republic Steel | 25⅜ | 4⅛ | 13⅞ | 1⅞ | 23 | 4 | 15¼ | .. |
| Reynolds (R. J.) Tob. Cl. B | 54½ | 32½ | 40¼ | 26½ | 54¼ | 26½ | 51 | 3 |
| Royal Dutch | 42⅝ | 13 | 23¾ | 12⅛ | 37⅜ | 17⅝ | 35¾ | 1.07½ |
| **S** | | | | | | | | |
| Safeway Stores | 69½ | 38⅝ | 59¼ | 30⅛ | 62⅜ | 28 | 42 | 3 |
| Sears, Roebuck & Co. | 63¼ | 30¼ | 37⅜ | 9⅞ | 47 | 12½ | 42 | .. |
| Seaboard Oil—Del. | 20¾ | 5½ | 20⅜ | 6⅝ | 43⅜ | 15 | 42 | .60 |
| Servel, Inc. | 11¾ | 3½ | 5⅜ | 1½ | 7½ | 1½ | 5⅛ | .. |
| Shattuck (F. G.) | 29½ | 8¼ | 12¾ | 5 | 13¼ | 5¾ | 8⅛ | .24 |
| Shell Union Oil | 10¼ | 2½ | 8¾ | 2½ | 11⅝ | 4 | 8½ | .. |
| Simmons Co. | 23¾ | 6⅞ | 13⅜ | 2¾ | 31 | 4⅜ | 22½ | .. |
| Socony-Vacuum Corp. | 21 | 8⅜ | 12¼ | 5¼ | 15½ | 6 | 12⅛ | .. |
| So. Cal. Edison | 54½ | 28⅜ | 32¾ | 15¾ | 28 | 17½ | 19¼ | 2 |
| Standard Brands | 20½ | 10½ | 17⅞ | 8⅜ | 37⅝ | 13¾ | 25¼ | 1 |
| Standard Gas & Elec. Co. | 88⅜ | 25⅛ | 34¼ | 7⅝ | 22½ | 5⅛ | 11¾ | .. |
| Standard Oil of Calif | 51¾ | 23⅛ | 31⅞ | 15⅛ | 44⅞ | 19½ | 42¼ | 1 |
| Standard Oil of N. J. | 52½ | 26 | 37⅜ | 19⅞ | 43⅞ | 22¾ | 40⅞ | 1 |
| Stewart-Warner | 21⅞ | 4¾ | 8½ | 1⅞ | 11½ | 2½ | 6⅝ | .. |
| Stone & Webster | 54½ | 9⅞ | 17⅜ | 4⅝ | 19¼ | 5¾ | 9¼ | .. |
| Studebaker Corp | 26 | 9 | 13¾ | 2½ | 8⅜ | 1½ | 5½ | .. |
| **T** | | | | | | | | |
| Texas Corp | 36¼ | 9⅞ | 18¼ | 9¼ | 30⅛ | 10⅜ | 27½ | 1 |
| Texas Gulf Sulphur | 55¾ | 19½ | 26¾ | 12 | 41 | 15¼ | 38⅛ | 1 |
| Texas Pac. Land Tr | 17⅝ | 4¼ | 8½ | 2½ | 11⅛ | 3½ | 8⅞ | .. |
| Tide Water Assoc. Oil | 9 | 2⅛ | 5⅝ | 2 | 11¾ | 3⅛ | 11¼ | .. |
| Timken Roller Bearing | 59 | 16½ | 23 | 7¾ | 35½ | 13¾ | 28⅛ | .60 |
| Transamerica Corp | 18 | 2 | 7⅛ | 2⅛ | 9⅜ | 2⅝ | 6 | .. |
| Tri-Continental Corp | 11¾ | 2 | 5½ | 1½ | 8¾ | 2¾ | 5½ | .. |
| **U** | | | | | | | | |
| Underwood-Elliott-Fisher | 75¾ | 13⅜ | 24⅜ | 7⅜ | 39½ | 9¼ | 30½ | .50 |
| Union Carbide & Carbon | 72 | 27⅛ | 36⅜ | 15½ | 51⅞ | 19¾ | 45 | 1 |
| Union Oil of Cal. | 26⅝ | 11 | 15⅜ | 8 | 23⅜ | 8½ | 21 | 1 |
| United Aircraft & Trans. | 38⅞ | 9⅞ | 34⅜ | 6½ | 46⅞ | 16½ | 32⅞ | .. |
| United Carbon | 28¾ | 6⅛ | 18 | 6⅝ | 30⅝ | 10¼ | 26½ | 1 |
| United Corp. | 31¼ | 7½ | 14 | 3½ | 14½ | 4⅞ | 6½ | .. |
| United Corp. Pfd | 52⅛ | 26⅛ | 39⅜ | 20 | 40⅞ | 24⅞ | 27 | 3 |
| United Fruit | 67¾ | 17½ | 32⅜ | 10¼ | 68 | 23¼ | 62⅞ | 2 |
| United Gas Imp | 37½ | 15⅜ | 22 | 9¼ | 25 | 14 | 16⅝ | 1.20 |
| U. S. Industrial Alcohol | 77⅜ | 20⅜ | 36¼ | 13¼ | 94 | 13½ | 70⅛ | .. |
| U. S. Pipe & Fdy | 37⅛ | 10 | 18⅛ | 7¼ | 22⅛ | 6⅛ | 15 | .50 |
| U. S. Realty | 36¾ | 5½ | 11¾ | 2 | 14½ | 2½ | 8½ | .. |
| U. S. Rubber | 20⅜ | 3½ | 10¼ | 1¼ | 25 | 2⅞ | 17⅞ | .. |
| U. S. Smelting, Ref. & Mining | 25¾ | 12⅜ | 22¾ | 10 | 105⅝ | 13½ | 103½ | *1½ |
| U. S. Steel Corp. | 152⅜ | 36 | 52⅝ | 21¼ | 67½ | 23⅜ | 48¼ | .. |
| U. S. Steel Pfd. | 150 | 94 | 113 | 51½ | 105½ | 53 | 84½ | 2 |
| Util. Power & Lt. A | 31 | 7⅞ | 10⅜ | 1½ | 8⅞ | 1⅞ | 4 | .. |
| **V** | | | | | | | | |
| Vanadium Corp | 76¾ | 11 | 23¾ | 5¼ | 36¼ | 7⅝ | 22¾ | .. |
| **W** | | | | | | | | |
| Warner Brothers Pictures | 20⅜ | 2⅛ | 4½ | ½ | 9⅛ | 1 | 7¾ | .. |
| Western Union Tel. | 150¾ | 38½ | 50 | 12⅜ | 77¼ | 17¼ | 57¼ | .. |
| Westinghouse Air Brake | 36⅛ | 11 | 18⅛ | 9¼ | 35⅝ | 11¾ | 28½ | 1 |
| Westinghouse Elec. & Mfg. | 107¾ | 22½ | 43½ | 15⅝ | 58⅜ | 19⅜ | 37⅞ | .. |
| Woolworth Co. (F. W.) | 72¾ | 35 | 45⅝ | 22 | 50⅞ | 28⅛ | 40 | 2.40 |
| Worthington Pump & Mach | 106⅞ | 15¼ | 24 | 5 | 39⅞ | 8 | 25 | .. |
| Wrigley (W., Jr.) | 80⅜ | 46 | 57 | 25¼ | 53¼ | 34½ | 53 | 3 |

† Plus 1% in stock. § Payable in stock. * Including extras.

## Answers to Inquiries

*(Continued from page 642)*

the stock. Consequently, the shares of Best & Co., with its strong financial and trade position, offer interesting speculative possibilities and we not only advise you to retain your present holdings, but would favor additional purchases around current levels.

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### AMERICAN BRAKE SHOE & FOUNDRY CO.

*What do you think of American Brake Shoe & Foundry common as an investment —and speculatively? Do you think its current prices anticipate much of the possible increases in railroad purchasing? Would you advise me to hold or sell 155 shares averaging me 48¾?—B. J. A., Milwaukee, Wis.*

The American Brake Shoe & Foundry Co., is engaged in the manufacture of a diversified line of railroad maintenance equipment, such as brake shoes and parts, car wheels, railroad track fixtures, castings, steel forgings, bearings and brass castings for railway and industial use, as well as miscellaneous iron castings and machinery. Operations have been further broadened in recent years to include the manufacture of brake shoes and braking materials for buses and trucks, and in 1931 this department extended its operations to include brake linings for passenger cars. For the calendar year 1932 profits, before deducting $226,700 taxes and depreciation of marketable securities charged to contingency reserve, amounted to only $257,400, as compared with net of $1,386,000 in 1931 and $2,906,000 in 1930. For the 6 months ended June 30, 1933, however, net income amounted to $241,486, or $2.53 a share on the 7% preferred stock. The foregoing six-month report does not give consideration to profit and appreciation in marketable securities during the period, amounting to $557,988, which was credited to reserve for contingencies. Balance sheet dated June 30, last, revealed an excellent financial condition, cash alone amounting to $2,301,460, with United States Government and other short term securities of $988,623 and marketable securities (cost) of $1,647,615, against total current liabilities of only $564,409. As further gains to business and industry evidence themselves, gross earnings of American Brake Shoe & Foundry Co., should improve proportionately, although increased operating costs in connection with the N R A may restrict profits gains during the early ensuing months. Never-

theless, when consideration is given to the strong trade position of the company and its satisfactory financial condition, the common stock appears suitable or retention in the average business man's portfolio.

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### GLIDDEN CO.

*I have been told Glidden Co. offers unusual possibilities for profit and for safety in the event that we have inflation. I will therefore, appreciate any information you may give me about this company's near-and-long-term prospects, and what you think of it at present prices?—A. M. L., Houston, Tex.*

The ability of Glidden Co., to show some profits available for the common stock during the years of the depression, may be attributed to the operating efficiency of the management, as well as the stability of income derived from its food division. Forty-five percent of total sales is accounted for by the food division, equalling that of the paint and varnish division, while the remaining 10% represents sales of chemicals and pigments. Operations of the food division consist of the manufacture and sale of "Durkee's Famous" salad dressing, mayonaisse dressing and other condiments, as well as cocoanut butter, various cocoanut oils, sugared cocoanut and table margarines. In reflection of higher prices and increased demand for all of the company's products, earnings have turned sharply upward during recent months. The latest statement of income available is that covering the ten months ended August 31, 1933, when profits amounted to $1,096,912 equal, after allowance for dividends on the 7% prior preference stock, to $1.11 a share on the no par common stock. This compared with net of only $52,360 for the corresponding interval of the preceding year. The financial position is strong and any further improvement in earning power should result in dividend resumption on the common stock. The shares offer interesting possibilities for price enhancement and are suitable for accumulation around current levels.

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### BROWN SHOE CO., INC.

*Do you believe the current quotations on Brown Shoe are warranted by the company's present financial position, its earnings record, and prospects? Would it benefit in inflation? I have been strongly advised to buy some of this stock, but I will first appreciate any information you can give me.—A. D. B., St. Louis, Mo.*

The ability of Brown Shoe Co., to report satisfactory profits throughout the depression attests to the efficiency of its operations and to the constant replacement demand for its product. The company, specializing in the manufacture of low and medium-priced lines, ranks as the third largest producer of shoes in the United States. Since it leases the bulk of its machinery from the United Shoe Machinery Corp., on a rental based upon the number of shoes produced by each machine, a relatively small plant investment is necessary, which permits a profit on even a greatly diminished volume of business. The consolidated income account for the 6 months ended April 29, 1933, revealed a net profit of $456,505, equivalent after allowing for dividend requirements on the 7% preferred stock to $1.38 a share on the common stock. For the 6 months ended April 30, 1932, a profit equivalent to $1.58 a common share was shown. An exceptionally strong financial condition was revealed in the balance sheet dated April 29, 1933, when total current assets of $12,651,160, including $3,832,983 cash and marketable securities, compared with total current liabilities of only $928,400. Inventories accounted for nearly $4,000,000 of total assets of $16,125,736. Since the last report, the company, in line with other shoe manufacturers, advanced prices and stepped up its operations which should permit higher earnings during the current half year than those reported in the preceding period. Brown Shoe was recently awarded a Government contract calling for 100,000 pairs of army shoes at prices ranging from $3.15 to $3.35 a pair. In view of the well sustained demand for its product and the probability of higher shoe prices in line with inflationary influences, the earnings outlook is distinctly favorable. The common stock, paying a reasonably assured dividend of $3 a share annually is regarded as attractive for purchase around prevailing quotations.

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### CONTINENTAL MOTORS CORP.

*Because of the limited funds at my disposal for investment purposes, I am necessarily restricted to stocks in the lower price range. Accordingly, I am considering the purchase of Continental Motors common in order to obtain representation in the automotive industry. Before taking any definite steps in this direction, however, I would appreciate a word from you as to the advisability of the purchase.—J. L. V., Brooklyn, N. Y.*

Until recent years Continental Motors Corp. concentrated its activity in the manufacture of internal combustion engines for motor vehicles, and stationary industrial and farm uses. In 1929 operations were broadened to include the manufacture of engines for aviation purposes. In reflection of the trend away from assembled cars, demand for internal combustion engines from the automotive industry has diminished sharply, thus making necessary the establishment by the company of its own market for the product. With this end in view Continental Motors in 1932 started production of complete automobiles. The company now manufactures three low-priced lines, two six cylinder types and a four. Prices range from $450 for the small six to $725 for the larger, while the four cylinder line is marketed at $355 f.o.b. and upward. The company's entrance into the already crowded "low-priced field" renders conjectural the success of the project. Furthermore, the restricted financial circumstances of Continental Motors are further disconcerting in judging its future prospects. Admittedly, prevailing prices for the common stock fairly well discount these unfavorable factors, but in view of the none too strong trade position of the company we frankly see little incentive for purchasing the stock. Your interest would be better served by seeking representation in the automotive industry through more conservative media.

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### GENERAL MOTORS CORP.

*I am thinking of buying 50 shares of General Motors common to average down 100 shares which cost around 54½. But I am wondering about this company's prospects in the event of inflation. Would you advise me to buy now, or do you think coming months will see lower prices?—A. J. W., Chicago, Ill.*

While there was a more or less widespread feeling that the automotive industry would be slow to reflect general business recovery, the report of General Motors for the second quarter of the current year tends to dispel such apprehension and to mark the automobile as an integral part of our economic life. In contrast with the continued decline of sales and profits during the second quarter of 1932, business in the second three months of the current year, following the "Bank Holiday," turned decidedly for the better. The company reported net income of $41,226,929 for the quarter ended June 30, last, against $6,890,473 profit for the preceding quarter, and $5,358,218 in the second quarter of last year. This remarkable earnings recovery may be attributed in no small measure to the variety of cars manufactured and the progressiveness of the management in constantly improving its models. While the corporation depends principally for its income upon sales of automobiles, its engineering staffs and laboratories are constantly developing and perfecting new products which should considerably enhance future profits. Through Frigidaire it is firmly en-

trenched in the refrigeration and air conditioning fields which give promise of considerable growth during the next period of prosperity. Aviation, in which the company is represented through General Aviation, should tend to further diversify its sources of income. When consideration is given to General Motors' varied interests, there is little question that its profits will expand upon any improvement of consumer purchasing power, whether by inflation or otherwise. Hence, we suggest retention of your present holdings, although additional purchases might well be delayed for the time being, awaiting a clarification of the medium term earnings outlook.

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### CONTINENTAL CAN CO., INC.

*I would like to know your opinion of Continental Can as an investment for the future. Do you think it fairly priced at current levels? Do you foresee any possibility of an early increase in dividend rate—or extra dividends? Would you advise me to buy now or wait for lower prices?—B. J. S., Pittsburgh, Pa.*

Report of Continental Can Co., Inc., for the 12 months ended June 30, 1933, revealed a net profit of $5,431,347, equivalent to $3.13 a share on the capital stock, as compared with $4,401,899, or $2.54 a share for the preceding comparable period. As the second largest manufacturer of tin containers in the country, its earnings are principally affected by canning crops and the general level of farm prices. Despite the fact that packs of crops declined sharply during 1931 and 1932, earnings from the industrial lines held up relatively well considering the state of general business. While earnings pursued a downward trend throughout the depression, operating economies effected by the management tended to limit the decline to comparatively moderate proportions. Moreover, many of the operating economies effected during the depression will, undoubtedly, be carried over into the next period of prosperity, thus further enhancing the earnings outlook. The company is constantly developing new uses for its products, such as the recently introduced motor oil cans which are sold to oil refiners and assure the consumer of an unadulterated lubricant. A sound financial condition was shown at the last year-end when total current assets of $31,453,180 including cash of $13,177,989, compared with total current liabilities of $1,865,157. In view of the favorable earnings record throughout the depression and its entrenched position in the container field, we regard the common stock of Continental Can as among the more attractive industrial equities, and feel that purchases are fully warranted around pre-

vailing quotations. Should earnings during the remainder of the year continue the favorable trend exhibited in the latest report a more liberal dividend policy would not be unexpected.

### ELECTRIC STORAGE BATTERY CO.

*Please give me your opinion of Electric Storage Battery's near-term prospects. Do they warrant my holding 150 shares of stock averaging 58? If so, do you believe it can soon resume its $3 dividend rate—or would you recommend a switch for a better return and the same speculative possibilities?—O. C. H., Buffalo, N. Y.*

As a result of concentrated research work, Electric Storage Battery Co., has been successful in developing new uses for its products. Approximately 50% of the company's business is obtained from the automotive industry, but railroads, telephone and lighting companies, as well as a wide range of other industrials are becoming increasingly important as outlets for storage batteries. Moreover, by virtue of the fact that much of the business is for replacement purposes, comparative stability of earnings is facilitated. Earnings of Electric Storage Battery Co., are reported but once a year, with the result that it is difficult to accurately anticipate full 1933 returns. There is basis for the belief, however, that net income will exceed that of $1.39 a share on the combined preferred and common stocks, reported for the calendar year 1932. In fact, it is quite possible that full year returns will equal, if not exceed, current annual dividend rate of $2 a share on the common stock. Thus, and in view of the company's strong financial condition, there should be little cause for concern relative to the maintenance of current dividends. The possibility of an increase in the rate of distribution, however, is not immediate. The common stock is reasonably valued at prevailing prices, and, in view of the favorable long term prospects of the company, maintenance of your present position is advisable.

### GENERAL AMERICAN TRANSPORTATION CORP.

*I have been left 100 shares of General American Transportation bought several years ago at 108½. I would like to hold this stock if you believe its possibilities should see it selling at these prices again in the near future. But tell me, candidly your opinion of my prospects, and if you think I should sell and invest in something else.—G. J. S., Syracuse, N. Y.*

The earnings of General American Transportation for the quarter ended June 30, 1933, give striking evidence of the improvement in business conditions, profits for that period being equal to 76 cents a share, practically double the earnings of 39 cents a share for the first quarter of this year, and an increase of nearly 50% over the second quarter of 1932. The full year's dividend of $1 was more than covered in the first 6 months of this year, when earnings were equal to $1.15 a share, indicating not only ability to maintain the present rate, but the possibility of an increase. The company's efforts to diversify and expand its business have taken form in numerous directions, with the development of special aluminum tank cars for carrying acetic acid and other special cars for carrying metallic sodium, marking the first time that this fluid metal has been shipped in tank cars. Contracts have been signed for a steady supply of refrigerator cars to carry the output of six large breweries. Another order has been received for tank cars to carry Ethyl fluid from the manufacturer to oil refineries in all parts of the country and other orders have been placed for regular tank cars for carrying petroleum products. The company has taken over the operation of all the refrigerator cars on the Missouri-Kansas-Texas Railroad, adding 3,188 miles of service to its refrigerator car lines, raising the total to 31,684 miles. In view of all these favorable developments, we advocate the retention of your holdings of General American Transportation for their longer term potentialities, although we would not expect an immediate recovery to the high level at which the stock was bought several years ago.

## Humble Oil & Refining Co.

(*Continued from page 634*)

70% of the outstanding stock. This assures Humble of adequate financial backing, to say nothing of the other benefits which doubtless emanate from this strong affiliation. The parent company depends heavily upon this subsidiary for supplies. In addition to the prolific sources of crude and an extensive pipe-line network, Humble's refineries are able to handle more than all of the crude produced and storage facilities have a capacity of nearly 16 million barrels of crude. Thus, its importance as an individual unit in the oil industry, as well as an affiliate of Standard Oil of New Jersey, is well founded.

Capitalization of Humble is relatively small, consisting of $18,950,000 of 5% bonds due in 1937 and 2,974,645 shares of $25-par-value stock. Total assets at the end of 1932 were slightly less than $230,000,000. On July 15, 1932, the company was able to meet a maturity of $22,000,000 5½% debentures entirely out of cash resources. Nevertheless, at the end of the year cash and its equivalent amounted to nearly $20,000,000. Current assets were approximately $56,000,000 and current liabilities totalled $10,534,000.

Although there have been marked variations in the earnings of Humble from year to year, the evidence discloses substantial earning power even under conditions not favorable to profitable operations in the oil industry. The average net available for the capital stock over the past five years has been nearly $6 a share—$5.88 to be exact. Reflecting general improvement in the oil industry over 1931, profits last year were equal to $5.01 per share as against $0.93 in the previous year. No interim statements are issued but in view of the demoralized conditions in the industry it is to be doubted that results in the first six months were much in excess of dividend requirements for that period. The present $2 dividend rate has been in effect for some years and may be regarded as secure.

From the foregoing resume it will be seen that the shares incorporate features of unquestionable merit which should appeal to the investor able to forego a higher yield and seeking a conservative medium for participating in the new and important phase which the oil industry is now entering.

## As a Hedge Against Inflation

(*Continued from page 636*)

cents to $1.01 in the same months of 1932. The significance of these figures is not to be denied. With any general improvement in business, earnings from duPont's own operations may be expected to respond promptly as evidenced by results in the first half of the current year and the degree of dependence on General Motors dividends reduced accordingly.

Hercules Powder, possessing no General Motors investment and relying solely upon its own activities, experienced a more drastic falling-off in earnings last year. Severe curtailment of operations on the part of those industries using Hercules products resulted in a drop in the company's profits to the equivalent of 24 cents a share for the common, after allowing for preferred dividends. It was necessary for the company to resort to surplus to maintain payments. As in the case of

 

duPont, however, the earnings for Hercules Powder have shown prompt response to improved business conditions since the first quarter of this year. Profits for the initial six months were equal to 90 cents a share on the common, whereas nothing was earned on the junior equity in the same period of last year.

Financially, both companies offer unimpeachable evidence of security. Due to the foresighted policy of carefully husbanding resources in more prosperous years, they have been able to maintain reasonable dividends without jeopardizing the working capital necessary to the proper conduct of their affairs. As of June 30, last, duPont had current assets in 125 million dollars and current liabilities of less than 12 million dollars; Hercules had over 15 million dollars and and less than 700 thousand dollars, respectively. In both instances cash alone exceeded current liabilities by a wide margin.

The shares of duPont and Hercules Powder are certainly not on the bargain counter, in the sense that they are undervalued in relation to dividends and probable near-term earnings. Assuredly, some part of the current market appraisal of the shares gives weight to the excellent record of these companies, the proven abilities of their respective managements and the knowledge that both of them are in a position to stage a rapid come-back in earnings, given the benefit of anything approaching normal business conditions. Also the unlimited possibilities which attach to the future of the chemical industry doubtless account for some portion of the generous capitalization of earnings which is a market characteristic of representative chemical issues.

## Hazel-Atlas Glass Co.

*(Continued from page 637)*

previous years. Having no funded debt or preferred stock, profits accrue in full to holders of the capital stock, outstanding in the amount of 411,065 shares. The company owned 23,409 additional shares of stock. Applied to the shares in the hands of the public, net profits last year were equivalent to \$4.68 per share, as against \$5.94 and \$3.52 in 1931 and 1930, respectively. In connection with the company-owned stock, it is interesting to note that directors were recently authorized to acquire stock up to the amount of 50,000 shares at not more than \$60 a share, such stock to be retired. The 23,409 shares owned were acquired at an average cost of \$40 a share and it

seems logical to assume that this block is slated for retirement.

In the first six months of the current year, profits amounted to $2.90 a share, a gain of $0.57 a share over the same months of 1932. Thus, the response to better business conditions was almost immediate and shareholders recently benefitted to the extent of an increase in the regular quarterly dividend to $1. Prior to this payments (since early 1931) were as the rate of $0.75 quarterly, plus an extra of $0.25. The dividend record of the company, as indicated by the appended table, has been such that it may well point with pride. Despite the apparent generosity of dividends, stockholders have not gained at the expense of the company's finances. At the close of 1932, current assets were over $12,000,000, with cash and marketable securities amounting to more than 2½ times current liabilities of $2,696,000. A bank loan of $1,500,000, included in the latter item, has since been discharged.

Summarizing the foregoing, it will be seen that the shares of Hazel-Atlas offer many of the desirable features of a sound common stock investment—direct equity, established earning power, liberal dividends, strong finances and a leading company in a growing industry. Mention should also be made of the yield of about 5%, based on the recent price range 75-80.

## Practical Lessons from Inflations Abroad

(*Continued from page* 620)

Not only did the conservative investor of France, that is, the buyer of the highest-grade fixed income bearing issues obtainable in France in 1914, lose a very substantial portion of his principal (in terms of gold), but the income expressed similarly suffered a marked setback corresponding, in a measure, to the loss sustained by the currency in which the securities in question were scheduled to be paid.

Summarizing, the writer presents a hypothetical investment program based on the assumption that the conservative investor will so diversify his investments as to include a portion of his capital in bonds, another in stocks, and the remainder in various other types of investment, such as annuities, real estate, cash balances, etc. We also assume the investor in the two countries under review started out, in 1914, with $100,000 (or its equivalent), available in each case, and that one-quarter is placed in bonds, one half in stocks, and the balance as referred to on page 620. The results in 1928 are also presented in the second table on page 620.

There is no reason to assume that any possible inflation in the United will remotely match that of Germany. Neither is it likely that currency depreciation here can run to 80 per cent, as in the case of France. It is worth pointing out, however, that inflations throughout history have almost invariably proceeded further toward complete devaluation than had been thought possible at the start of the process. Many millions were lost, both in Germany and other countries, speculating on recovery of the old mark. Even if the French inflation, therefore, be an extreme example, its effect upon security values is of considerable interest to Americans who in the present condition of monetary uncertainty would protect their capital funds.

In both France and Germany bond owners suffered severely, while those who had their investments in sound common stocks fared relatively well. Undoubtedly the same general rule would apply in the United States in the event of a considerable currency inflation. For reasons perhaps peculiar to this country, industrial shares would most likely fare better than rails and public utilities.

## For Profit and Income

(*Continued from page* 638)

Going too far from shore on borrowed money is a common fatal error and when low-priced stocks have to be paid in full the net equity in the account is very apt to be larger than when anything at all can be bought on margin. In a word, a few low-priced stocks in an account under the old regulations not infrequently proved a welcome backlog when the margin clerk became insistent.

* * *

### *What Higher Prices Can Do*

In the business of buying leaf tobacco, curing it, storing it, and then selling it both here and abroad, the Universal Leaf Tobacco Co. is very sensitive to changes in the price level. For the fiscal year ended June 30, last, the company reported a profit of $1,630,993, after inventory credit adjustment of $388,873, depreciation and Federal taxes. After dividends on the preferred stock, this was equivalent to $7.77 a common share. In the previous year the company earned $2.51 a common share. The small amount of common stock outstanding currently sells for $43 a share.

## Intimate Letters of a Washington Journalist and His New York Broker

*(Continued from page 625)*

Apropos of price levels, neither the N R A nor anything else can prevent a lag between wages and prices during recovery, natural or artificial as to prices. But prices are, psychologically, a secondary consideration to the fact of having more money in the pay envelope, or such an envelope where there has been none.

The President is going to make a new money move soon, but if he knows what it is (and I think he does not) his advisors don't. One of his financial sharps tells me, sincerely, I think, that while he has advised a certain course, he doesn't know any more than the man in the street what the President will do. But whatever it is, it will be intended to raise prices. I am stubbornly holding onto my little jag of stocks and secondary bonds. I know of no better way to safeguard my meager wealth in these times.

Washington received the British debts delegation with resignation. It's a forerunner of fate. Everybody knows that the Allies will not pay a cent in December under present agreements. Even Britain will not repeat her absurd face-saving gesture. We will settle for whatever the Allies are willing to pay—that is, this side of Congress. That may be another story. Our trading stock is gone. Tariff reductions are impossible and we have shot our ammunition relating to dollar depreciation. Sentiment in this country is veering strongly toward a settlement once and for all of the money and debt questions.

The dream that we could solidly prosper by a shunned dollar is about over. Trade officials are trying to explain why it is that since we went off the gold standard imports have increased greatly over exports—just the reverse of the prescription. Both gold standard and non-gold standard countries are selling us more. Prices adjust themselves to any currency differences. *The glad fact is that economic recovery has set in all over the world.*

Calm expectation here is that the N R A "buy-now" campaign will be a disappointment. Rising retail prices, crazy strikes, and decline of P R A (President's reemployment agreement) ardor in general are responsible. We are more likely to have a buyers' strike against the higher prices that have already arrived than a stampede to buy before they go higher. Moreover, as

the codes swing into action with their production control, accompanied by a decline in production from July levels, reports come in from every section of the country of reduced payrolls notwithstanding higher hourly wages.

Still, employment is gaining. You needn't worry about the coming winter. The millions that will be jobless still will be cared for more adequately and kindly than they have been in any other winter of the depression.

Congress worries me more. Republicans will be independent and Democrats rebellious.

Washington is the deadest place in the country, except for the hotels and taxis. N R A and the thousand other new contacts of Government with business keep them full, but there's no thought of codes or P R A for the business of producing government. Salaries are slashed and many offices have more work than ever, with forced furloughs still flourishing. Government press bureaus are full-manned but overproduction menaces the future. Every new official in every new "administration" hires a press agent before he gets a stenographer. The output of mimeographed speeches of officials has reached an all-time high of volume and the all-time low of published consumption. The other side is that journalistic unemployment has been wiped out.

Result of flood of propaganda is Washington newspaper columns of the wise-acre variety are waxing throughout the land. People demand the Washington low-down and scores of bright boys are busily extracting it from their typewriters. Snappy economics is the objective, and the technique is creation of subtle impressions of life-membership in Washington's low-downest circle. No risks are run because the fiction has a better than even chance that it will be a fact by the time it is read, and if it isn't the next installment will wipe out its memory.

Yours for recovery,

DON

P. S. Don't confuse me with those know-it-all boys—I do know.




## The Employer Looks at Labor's Growing Power

*(Continued from page 627)*

comes more and more that afforded by its workers. The mass payroll has thus become the chief source of purchasing power. It is agreed that the nation may save too much. Savings go into capital investments, and if too large a part of the national income is reinvested the tendency is toward excessive production facilities, the production of more goods than can be purchased, and the destruction of commodity and plant values inevitably follows. So industry has a very practical reason for planning a larger and larger payroll.

### *Solution Will Be Found*

Although I feel that organized labor has been unwise in its organizing activities, I believe that labor and management will eventually work out a sound understanding. I do not believe the American Federation of Labor will be able to monopolize labor organization. Not more than 10 per cent of the wage earners of the industries in which it is represented are in its ranks, and the causes which have kept it from dominating the labor field will continue to operate. Selfish, unpatriotic policies will bring their own retribution.

While the readjustment that is going on under the Recovery Act has its threats, it must not be forgotten that the Act offers benefits to industry. The prevention of destructive competition, the balancing of the economic equation, and the co-ordination of industries, made possible under the aegis of the Recovery program, are precisely the objectives toward which we have been working. They were impossible without sympathetic governmental partnership.

It will be agreed that a nation such as ours should be able to plan its affairs in such a way as to provide the highest degree of prosperity for its people. In the minds of students of national economy the Recovery Act and the other legislation which has come with it, constitute an approach to a program of national planning under which the wastes resulting from unwise industrial and economic practices will be eliminated and destructive competition within and between industries will be ended.

The situation is viewed by some, however, with grave doubt. The socialization of industry, they feel, is threatened with the elimination of the individual initiative which has built up our national economy. It is certain that all of the wisdom that has created our industrial order must be centered on this problem. A sound solution can be found, one which will preserve the fundamental factors which have built up our industry, but, if our policy is misdirected, it is possible that the recovery program may degenerate into a bureaucratic control of the business of this country which will be utterly destructive.

## Public Utilities at the Crossroads

*(Continued from page 623)*

power to supply the City of Birmingham, Alabama, and certain smaller communities. With further development of the Tennessee River the project probably can originate enough power to supply an area within a radius of 250 or more miles of Muscle Shoals. The rates for domestic usage announced by a director of the Tennessee Valley Authority average 7 mills per kilowatt-hour. This would be a low rate in the home. It is not a sensationally low rate at the switchboard. Private enterprise is already delivering current at the gates of Birmingham for 6 mills and even in New York City, where electricity is produced entirely from coal, the cost at the switchboard is less than 1 cent per kilowatt-hour.

In arriving at its rates the Tennessee Valley Authority asserts that all costs of the service have been considered, including costs not actually incurred, such as taxes and interest, in order that the "yardstick" comparison with private companies may be fair. Unfortunately, the statement issued is far from complete. The heaviest interest and tax costs are not in the production of electricity but in the facilities for its distribution. The statement does not clearly reveal at what place the power is to be sold at the average rate of 7 mills. The presumption is that this is the price at the switchboard at Muscle Shoals.

What remains? Merely the matter of transporting the electricity over transmission lines to the various communities which need it and, thence, its distribution within the communities to the homes, factories and offices which need it. Such facilities, of course, are in existence, privately owned and paying taxes to a variety of governmental units. In the State of Alabama, for example, the Alabama Power Co. pays taxes of $2,000,000 a year.

Either the existing transmission lines must be used, in which case the Gov-

ernment no doubt can be fairly asked to pay for the lines or their use, or the Government must go to the cost of building lines. Either the existing private distributing facilities in the various communities must be used, in which case the municipalities will doubtless be asked to buy those facilities or rent them, or the municipalities will have to ask the voters to vote bond issues with the proceeds of which municipal distributing facilities can be built. The latter course is unlikely, the condition of the municipal bond market being what it is.

In any event, the practical question of whether these southern communities will be able to save any money on their electric bills depends upon the varying additional costs which transmission and distribution must necessarily add to the primary 7-mill per kilowatt-hour cost quoted at Muscle Shoals, whether that increase be frankly met out of rates or absorbed out of taxation. Incidentally, the municipal cost cuts both ways, for the taking over of private utility facilities necessarily means to that extent a loss in present tax revenues.

### *Future of Boulder Dam*

Space is lacking for an adequate consideration of Boulder Dam, suffice it to say that, like all such governmental undertakings, the cost is already substantially exceeding the original estimates. Since this project was started the use of steam for generation of power has become cheaper and more efficient, with the result that it is now open to grave doubt that Boulder Dam power can be delivered to California cities as cheaply as the steam power already available. Power costs may be low at Boulder Dam, but power, like any other commercial product, must be transported to markets. After investigation, several of the communities which had applied for Boulder Dam power have withdrawn their applications. They have learned, apparently,



## MARKET STATISTICS

| | N. Y. Times 40 Bonds | Dow, Jones Avgs. 30 Indus. | Dow, Jones Avgs. 20 Rails | N. Y. Times 50 Stocks High | N. Y. Times 50 Stocks Low | Sales |
|---|---|---|---|---|---|---|
| Monday, September 25 | 72.70 | 98.03 | 43.51 | 85.85 | 83.65 | 1,309,250 |
| Tuesday, September 26 | 72.71 | 97.41 | 43.11 | 86.31 | 83.56 | 1,432,610 |
| Wednesday, September 27 | 72.33 | 93.18 | 41.19 | 83.70 | 80.55 | 2,321,456 |
| Thursday, September 28 | 72.19 | 94.66 | 41.60 | 82.41 | 80.79 | 1,444,070 |
| Friday, September 29 | 72.50 | 94.24 | 41.07 | 83.85 | 81.31 | 1,643,360 |
| Saturday, September 30 | 72.50 | 94.82 | 40.95 | 81.83 | 79.15 | 1,008,380 |
| Monday, October 2 | 72.28 | 92.99 | 40.16 | 81.77 | 79.74 | 959,610 |
| Tuesday, October 3 | 72.12 | 93.55 | 40.06 | 80.66 | 78.99 | 932,010 |
| Wednesday, October 4 | 72.58 | 98.60 | 42.83 | 84.49 | 80.71 | 2,137,385 |
| Thursday, October 5 | 72.81 | 98.05 | 42.11 | 84.39 | 82.75 | 1,659,100 |
| Friday, October 6 | 72.82 | 97.54 | 41.59 | 84.22 | 81.84 | 1,461,300 |
| Saturday, October 7 | 72.87 | 98.20 | 41.84 | 83.94 | 82.85 | 602,070 |

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that the chief problem is not production of electricity, but its transmission and distribution.

No one denies the right of a community to go into the utility business, if it is dissatisfied with private service and rates. On the other hand, the proof of the economic pudding is in the eating. Any utility service, either public or private, must in the long run justify itself by efficiency and low cost. There are successful municipal plants in Seattle, Los Angeles and Springfield, Ill., but their rates are not by any means sensationally low. Moreover, these three exceptions do not disprove the rule of patronage-ridden waste and inefficiency in most municipal plants. In this connection it is interesting to recall that Arthur E. Morgan, chairman of the Tennessee Valley Authority, has recently stated in a public address that public ownership must justify itself in practical operation if the people are to accept it and retain it. He added this significant remark: "The success of public ownership will extend only so far as it can be divorced from political patronage."

The writer, for one, accepts that statement as so true that it needs no further comment. In the light of all political history, let the reader answer for himself the question whether, until the Millenium comes, we can divorce public jobs from political patronage.

The economic aspects of the problem now confronting utility investors are comparatively simple and require little discussion. The essential nature of the services of gas and electricity and the certainty of long-term expansion and increasing per capita use are facts generally known. Given a rising trend of business, it is possible that rate agitation will become less avid. In some states the utility commissions have already indicated a willingness in rate cases to give fair consideration to the increased costs imposed upon the utilities by higher prices for materials and by N R A payrolls and hours. The best that can be expected, however, is a halt in the declining trend of rates, at least until gross revenues expand to a point at which there will be economic justification for a resumption of the long-term downward trend which is normally made possible by increasing per capita consumption and by technical improvements. Meanwhile, in the present pinch, there is scant prospect that utilities will be permitted to emulate other businesses in raising rates on the plea of higher labor and materials costs.

In the nature of the utility capital set-up, a return to normal consumption would result, even at existing rates, in a rapid recovery of earning power on preferred and common stocks of the sounder companies. In this connection it is to be remembered that rate agitation centers almost entirely on domestic services, the regulatory bodies being willing that establishment of rates for large commercial and industrial customers be largely a matter of individual negotiation. Business revival would no doubt find such rates being jacked up. Finally, one of the present factors of economic disadvantage will in the future become a factor of definite advantage. Partly because of the industry's normal habit of maintaining reserve capacity, partly because it misjudged the requirements of the three years just behind us and partly because it followed the exhortation of the Hoover Administration to spend freely in 1930, there exists today a very substantial over-capacity. Being non-productive, it is a drag on earnings. On the other hand, it means that an enlarged future demand can be met without the expense of added plant expansion and investment. With the exception of refunding operations, the industry as a whole needs very little new financing.

One other question puzzles the industry and its investors. How will utility stocks fare under inflation, if we have it? The answer depends entirely upon the type and degree of inflation. We are likely to have no such inflation as will wipe out bondholders. A moderate inflation would stimulate business and utility gross revenues. Whether net earnings, assuming the continuance of a relatively rigid rate structure, would keep pace with increased costs is problematical.

In summary, it appears logical to believe that public operation within a period of years will prove itself a failure and that ultimately the inherent economic advantages of private ownership will prevail. Unfortunately decisions for the nearer term must rest more largely upon political and psychological factors than upon the underlying economic realities. It is cold comfort to the utility stockholder to say that some day his ship will probably come in. Right now it is not in sight and the waters unquestionably are stormy.

## Can the Banks Meet the Challenge of the Present Emergency?

*(Continued from page 616)*

do and dawned if they don't—and a swollen loan portfolio will not help much either way. Then again, the present pause in recovery has filled the banks with apprehension. What, if after all, recovery is not finally under way. Safety first!

The banks are confronted with a puzzling dilemma. If they leap onto the expansion band wagon they may be sticking their necks out for another decapitation. If they stand pat—as they are standing now with great unanimity—they invite direct U. S. Treasury competition, and pave the way for a new deal in banking in which they will have neither face cards nor aces. But it is more than dilemma; it it at least a trilemma, for by prompt loosening up of loans they can undoubtedly avoid the curse of paper money inflation. It gets down to this, that the banks must soon choose between putting out credit money and having the Government put out greenbacks; they can participate in an expansion over which they will have control or they can invite one which may be beyond all control.

## Safety and Profit in Selected Common Stocks

(*Continued from page* 613)

flation would maintain, if not increase, the present disparities, as Secretary of Agriculture Wallace has pointed out in recent public addresses.

The current business records are mixed. Electric power production is holding relatively well, recession in industrial areas being partially offset by gains elsewhere. The protracted decline in steel production has become slower, but there is little increase in forward orders and the period in which seasonal recovery can be expected will soon be over. In a longer range sense it is possible that the Federal Government's recognition of the importance of the capital goods industries to a sustained and balanced economic revival and its pending efforts to stimulate those industries will be of advantage to the steel industry.

Freight car loadings for the latest week are disappointing, further reducing the recent percentage gain over the same period of last year. Retail trade has improved somewhat, as compared to the first half of September, but remains under the volume which would be required to deplete inventories and bring important re-ordering and consequent stimulation of production. Current dollar sales, at prices fully 20 per cent above those of a year ago, are but little better than those of a rather slack October in 1932.

Seasonal recession is under way in the automobile industry, but it nevertheless remains a relatively bright spot in the business picture. September production was nearly 200 per cent above that of a year ago.

# Cumulative Index Volume 52

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**Pages 49 to 96, Inclusive, May 13, 1933**
**Pages 97 to 144, Inclusive, May 27, 1933**
**Pages 145 to 204, Inclusive, June 10, 1933**
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**Pages 253 to 300, Inclusive, July 8, 1933**
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**Pages 505 to 552, Inclusive, Sept. 16, 1933**
**Pages 553 to 604, Inclusive, Sept. 30, 1933**
**Pages 605 to 660, Inclusive, October 14, 1933**


● CONCENTRATION is impossible, says Mr. Barclay, if your nerves are jumpy. "I prefer Camels because I can smoke as many as I want without jangled nerves."

● ABOVE—SHEPARD BARCLAY, who in two months won twenty tournaments with twenty brand-new partners, smokes steadily while playing.

● LEFT—WHETHER YOU smoke while you play bridge or play bridge while you smoke ...change to Camels—for more pleasure, for the sake of your nerves—and your bridge!

# Steady Smokers turn to Camels

SHEPARD BARCLAY says: "Every bridge player can and should learn every system of contract bridge...but it takes *real* concentration to play a different system with every partner. That kind of concentration naturally involves terrific nerve strain. Personally, I find smoking a decided help to concentration. I prefer Camels... I can smoke them steadily without experiencing jangled nerves . . . they're always mild!"

Steady smoking brings out what a cigarette's really got. Smoke Camels yourself. Make your own comparisons. Your own experience will confirm all that Mr. Barclay says.

## IT IS MORE FUN TO KNOW

Camels are made from finer, MORE EXPENSIVE tobaccos than any other popular brand. Leaf tobaccos for cigarettes can be bought from 5¢ a pound to $1.00 ...but Camel pays the millions more that insure your enjoyment.


A MATCHLESS BLEND



Camel's Costlier Tobaccos

NEVER GET ON YOUR NERVES
NEVER TIRE YOUR TASTE